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Industrial nations patch over the cracks, Page 4

World news

Solidarity leaders come out of hiding

The outlawed Solidarity trade union announced in Warsaw that its underground leadership would start to emerge from hiding in response to a Government amnesty for political prisoners.

Zbigniew Bujak, the former underground leader freed recently, confirmed that he would be working in public from now on.

In Gdansk, Lech Walesa, the movement's chairman, announced the formation of a union council "to ease the transition from clandestine activities to legal and open undertakings."

Black envoy named

President Reagan nominated Mr Edward Perkins, a career diplomat, to be Washington's first black ambassador to South Africa. Botha succession battle, Page 5

Sudan rebels defied

Relief supplies will be flown to hungry southern Sudan today despite a threat by rebels to shoot down the aircraft.

Arrests hit talks

Peace talks between the Philippines Government and communist rebels were said to be at risk because of the arrest in Manila of Rodolfo Salas, a rebel leader, and two other people. Page 5

Peres sets date

Israeli Prime Minister Shimon Peres set October 10 as the date on which he will hand over office to Foreign Minister Yitzhak Shamir under their 1984 power-sharing agreement.

Threat to mayors

A statement issued in the name of the Abu Nidal Palestinian terrorist group threatened to kill three newly appointed Arab mayors in the occupied West Bank.

Nuclear go-ahead

The West German Government has agreed to the start-up of a controversial nuclear power plant at Brokdorf which has been the focus of fierce protests by anti-nuclear campaigners.

Cologne bombing

Two bombs exploded at a subsidiary of the Bayer chemical concern, which according to the police may be the work of the left-wing Red Army Faction. Nobody was hurt.

Italian drug scandal

Italian pharmacists are at the centre of a Mafia-linked scandal which involves the siphoning off of health service drugs cash totalling L350bn ($267m). Page 2

France to ease curbs

French residents are expected to be allowed to open foreign exchange accounts abroad by the end of the year. Page 3

Nurses on strike

Swedish nurses, civil servants and other public sector professional staff went on strike over pay, closing down some hospital wards and disrupting public transport. Page 3

Dingo case inquiry

Apparent bloodstains which helped convict Lindy Chamberlain of killing her baby daughter in the "dingo murder" case were actually caused by a spray used to deaden engine noise, an expert told a Melbourne inquiry.

Town sees red

Officials in the Spanish town of Santa Eugenia Ribiera refused to allow a local man to name his son Lenin although he insisted he was calling the baby after a family friend and not the Soviet revolutionary leader.

Business summary

Stora in record bid for rival Papyrus

STORA of Sweden, Europe's leading pulp and paper producer, launched the country's biggest-ever takeover bid with an offer worth around SKr 5.8bn ($841m) for Papyrus, a domestic rival and Sweden's fifth largest forest products group. Page 18

WALL STREET: The Dow Jones industrial average closed 12.38 up at 1,767.58. Page 44

LONDON: Sterling's sharp recovery calmed worries over interest rates sparking a healthy rally among shares. The FT-SE 100 index added 18.6 to 1,555.8 and the FT Ordinary share index rose 14.4 to 1,227.00. Page 44.

TOKYO: Most stocks fell on light selling. The Nikkei market average closed below the 18,000 level at 17,852.45, down 253.45. Page 44

DOLLAR closed in New York at DM 2.0250; SFr 1.6450; FFr 6.6335 and Y154.25. It was slightly firmer closing at DM 2.0270 (DM 2.0250), Y154.35 (Y153.60), SFr 1.6460 (SFr 1.6415), and FFr 6.6425 (FFr 6.6300). Page 37

STERLING closed in New York at $1.4435. It recovered all ground lost this week opening sharply firmer on the Bank of England's trade-weighted index at 68.7 up 68.2 and improved to close at 69.0. In London it finished at DM 2.9325 (DM 2.9025), $1.4470 ($1.4335), Y223.35 (Y220.25), SFr 2.3825 (SFr 2.3525) and FFr 9.6125 (FFr 9.5050). Page 37

GOLD fell $4¾ to finish in London at $422¾-$424. In New York the Comex December settlement was $428.8. Page 36

COFFEE futures prices fell again in London as the November position added to Monday's drop of £38 a tonne by a further £103.50. The price ended at £2,332.50 after dipping at one stage to £2,310. Page 36

DOME Petroleum: Creditors of Dome Petroleum, struggling Canadian energy producer, face protracted legal proceedings and are likely to recoup less than half the value of their loans if the company is put into liquidation, Howard Macdonald, chairman, said. Page 19

DAYTON HUDSON Corporation and Kroger Company, two big US retailers based in the mid-west, said they planned to sell major parts of their businesses. Page 19

PEUGEOT will report a substantial rise in net consolidated group profits this year, Jacques Calvet, chairman of the private French car group embracing the Peugeot, Citroen and Talbot marques, indicated. Page 18

PKBANKEN, Sweden's third largest commercial banking group, boosted its operating profits by 81 per cent in the first eight months to SKr 1.74bn ($251m), an increase of SKr 777m. Page 19

HARMSTORF Group has failed to find a solution to the financial problems of three shipyards and nine other subsidiaries, which have finally gone bankrupt after efforts over the past 12 weeks to seek protection from creditors. Page 20

BERGESEN'S joint general managers are taking up their option to buy the 49.7 per cent of the Norwegian shipping group's share capital hitherto held by other family members, but 12 days ago provisionally sold to Kosmos, a rival shipping group, for NKr 1.17bn ($159m). Page 41

ALSTHOM, French heavy engineering company controlled by the nationalised Compagnie Générale D'Electricité group, expects to report this year a small increase in consolidated group profits, Jean-Pierre Desgeorges, the company's chairman, indicated. Page 19

VOLVO, which is 70 per cent owned by the Dutch Government, will remain profitable this year despite the cost of launching its new 480 sports car, said Mr Andre Deleye, the president. Page 22

Gorbachev, Reagan to meet for two days in Reykjavik

BY STEWART FLEMING IN WASHINGTON AND PATRICK COCKBURN IN MOSCOW

PRESIDENT Ronald Reagan and Mr Mikhail Gorbachev are to meet in Reykjavik on October 11 and 12 to discuss a full range of East-West issues.

Mr Reagan made the surprise announcement at a White House press briefing yesterday morning, only moments after Mr George Shultz, the US Secretary of State, disclosed that Mr Gennadi Zakharov, the Soviet United Nations employee accused of espionage in New York, would be leaving the US within 24 hours.

Agreement on the meeting followed Moscow's agreement to allow Mr Nicholas Daniloff, the US reporter accused of espionage, to leave the country and to release Mr Yuri Orlov, a prominent Soviet dissident.

The White House continued to deny, that Mr Zakharov's release amounted to a swap for Mr Daniloff who flew out of Moscow on Monday and was due to arrive in Washington late yesterday.

The announcement that Mr Reagan and Mr Gorbachev would meet next week came as a complete surprise in Washington not least because the Reagan Administration hitherto has been resisting Soviet suggestions for a summit on neutral territory.

Both Mr Reagan and Mr Shultz, however, insisted yesterday that the meeting in Reykjavik was not a summit, but a preparatory meeting for the proposed summit meeting in the US which Mr Gorbachev agreed to at the Geneva summit a year ago.

"This is not summit... we have agreed (the next) summit would be here," Mr Reagan said. Asked if the two leaders would sign any agreements at the Iceland meeting, Mr Reagan responded: "I don't believe anything of this kind." But he added: "I have said for a long time that the chances are better than they have been for many years for reaching agreement."

But the Soviet side appeared to hope that the Reykjavik meeting could produce a draft agreement on arms control.

Mr Eduard Shevardnadze, the Soviet Foreign Minister, told a press conference in New York: "The time has come for fundamental decisions, to see where, and on what questions there is mutual understanding, to prepare a draft agreement."

He said that the resulting agreement could be signed when Mr Gorbachev made his agreed visit to the US at a date to be decided in Reykjavik.

The Reykjavik meeting was requested by Mr Gorbachev and in separate statements yesterday both he and President Reagan said it would take place in the context of "preparations for" Mr Gorbachev's visit to the US.

Mr Shultz stressed that Washington was still hopeful that a formal summit session could take place in the US before the end of the year.

He presented the proposed meeting as an effort to "energise the process." He added: "The General Secretary said it might help if the two of them met, perhaps a little less formally, and see if they could push the ball along a little bit in areas which showed most hope of progress."

In Moscow, the description of the meeting as preparatory for a summit meeting in the US later in the year allows Mr Garbachev to distance himself a little from earlier statements that he would not meet Mr Reagan for a second summit unless there was an agreement to be signed on some aspect of nuclear arms control.

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Background, Page 4; Editorial comment, Page 16

Washington steps up pressure on trade partners

By Stewart Fleming, US Editor, in Washington

PRESIDENT Ronald Reagan yesterday voiced the mounting frustration within his administration at the refusal of US trading partners to adopt its prescription for maintaining world economic growth.

In his speech to the annual meeting of the World Bank and the International Monetary Fund, Mr Reagan appeared to step up pressure on the US's trading partners to help it reduce its trade deficit, saying that faster foreign growth and a further fall in the dollar may be needed to achieve this goal.

"No trading system among equals can survive if some feel that they are being discriminated against and if there are enormous imbalances in trade flows," the President said, adding: "The only way to resolve the external imbalances between countries are through increased growth abroad, a greater competitiveness for the US dollar, or both, coupled with the opening of markets."

Mr Reagan also urged lower interest rates. "We have other items of unfinished business in America – bringing interest rates down even further while keeping inflation under control is one," he said.

Mr Reagan's comments, coming only two days after the US's industrial country trading partners had rebuffed efforts by Mr James Baker, the US Treasury Secretary, to pressure them into taking steps to accelerate their economic growth, seemed designed to send a clear signal that Washington is deeply dissatisfied with their response.

It was also calculated to drive home the message which Mr Baker has been conveying in private meetings at the IMF, namely that America's trading partners are seriously underestimating the threat of a protectionist backlash in the US and need to do more to help the administration deflect protectionist pressures.

But the President gave no hint of any concessions to the European standpoint that more needs to be done in the US to reduce the federal budget deficit. He cited the Gramm-Rudman-Hollings budget reform legislation as indicative of US progress in tackling the deficit and argued, as he has done consistently, that the US must tackle its deficit only by reducing government spending.

Mr Reagan underscored deepening US concerns about the apparent reluctance of private commercial

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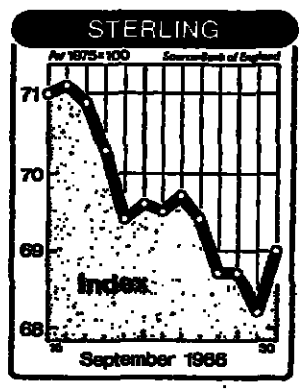
Analysis and background, Page 4; Lawson's address to IMF, Page 11

Bundesbank helps UK to lift sterling

BY PHILIP STEPHENS IN WASHINGTON AND GEORGE GRAHAM IN LONDON

THE BANK of England and the West German Bundesbank yesterday joined forces in the foreign exchange markets to restore some of the pound's strength. They successfully pushed up the value of sterling and at the same time helped to reduce pressure on UK interest rates.



Mr Nigel Lawson, the UK Chancellor of the Exchequer, said that the joint intervention reflected a general concern among industrial nations to promote stability in foreign exchange markets.

Speaking in Washington at the annual meeting of the International Monetary Fund (IMF), Mr Lawson gave no indication that the unusual joint action was a precursor to early British membership of the European Monetary System.

Answering questions at a press conference, Mr Lawson said there had been no change in the long-standing official policy that Britain would join the exchange rate mechanism "when the time is ripe."

"I would be misleading you if I said there was a fundamental change," he said.

Officials at this week's IMF talks said that the intervention – which came after sizable dollar sales by the Bank of England on Monday had failed to reverse sterling's slide – did reflect a general understanding among European governments that they would try to curb violent fluctuations in the markets.

They denied, however that it marked the establishment of an exchange rate target for the pound. The immediate cause of the link between the Bank of England and the Bundesbank was to avoid the conflict of purpose between the two which had emerged over the last week.

On Monday, the Bundesbank intervened to brake a fall in the US currency's value. The Bank of England, however, was selling dollars

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Citicorp loses three more top executives in London

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

CITICORP, the US' largest bank, was rocked by a string of resignations by top executives in the UK yesterday. The departures all appear to result from dissatisfaction with major strategic changes at the bank this year.

The resignations include: Mr John Botts, chairman of Citicorp Investment Bank Ltd (CIBL), the UK subsidiary through which Citicorp is participating in the changes in London markets brought about by the Big Bang; Mr Anthony Lee, managing director of Citibank Savings, the retail banking subsidiary; and Mr Eric Mahoney, head of the mortgage banking division.

Further resignations are understood to be in the offing among middle and senior management. They follow Citicorp's loss earlier this year of Mr Kent Price, country officer for the UK, and Mr Dolph Zubick who headed the European consumer banking operations. Last week, three analysts left Scrimgeour Vickers, Citicorp's London stockbroking subsidiary.

Mr Botts is to leave at the end of the year to set up his own investment banking firm in London. "I am sad to go, but this is a very exciting opportunity," he said yesterday.

Mr Glen Moreno, the group executive in charge of Citicorp's investment banking activities in Europe, the Middle East and Africa, will assume the chairmanship of CIBL. He said that there would be a long transition period for Mr Botts to hand over his responsibilities. "We look forward to doing business with him," he said.

CIBL is the subsidiary in which Citicorp has grouped all its UK capital market and merchant banking activities, as well as the new operations bought in preparation for the Big Bang – deregulation of the City of London – a discount house and a gilt-edged dealer, and a stockbroker.

Mr Lee's resignation was announced to staff yesterday. Citibank Savings, which he manages, is the largest, foreign-owned retail banking operation in the UK with some 50 branches. Mr Mahoney's mortgage banking division is also one of the largest operated by a foreign bank with a portfolio on more than £1bn ($1.44bn).

These departures all come at a time when Citicorp is radically reshaping its activities in the UK to give more emphasis to corporate finance and capital markets

Men and Matters, Page 16

US narrows trade deficit in August

BY ANATOLE KALETSKY IN NEW YORK

THE US trade deficit narrowed to $13.32bn last month from a record July shortfall that itself was nearly $2bn less than the original estimate, the Commerce Department said yesterday.

The index of leading economic indicators, meanwhile, rose by 0.2 per cent in August, closely in line with market expectations, after a revised improvement of 1 per cent in July and fall of 0.2 per cent in June.

The estimated July trade deficit of more than $18bn had unleashed a wave of speculation against the dollar and a huge fall in financial markets around the world last month. The trade deficit for that month in fact was $16.05bn, the Commerce Department said yesterday.

The revised trade deficit for the first seven months of this year was $94.68bn, or $162bn at an annual rate. This compares with an annual rate of $129bn for the corresponding period of 1985 and a rate of over $170bn estimated on the basis of preliminary trade statistics last month.

Although Mr Malcolm Baldrige the US Commerce Secretary, said yesterday that the US trade deficit may now have "bottomed out," many economists urged caution in interpreting the figures. The trade statistics are not seasonally adjusted and August is almost invariably a much better month than July because of normal reductions in imports during the summer. Differences in collection methods between preliminary and final figures also accounted for much of the downward revision of the July trade figures. The Commerce Department said that no useful comparisons between the preliminary and final figures could be made.

S. Korea selects N-power contractors

BY WILLIAM HALL IN NEW YORK

THE US appears to have won a long battle with several other countries for a $3bn nuclear power project in South Korea, one of a handful of international nuclear power orders in recent years.

In addition to its rarity value, the proposed contract, which is expected to be finalised by February, is unusual in that it involves the transfer of technology which will enable South Korea to expand in the nuclear power industry with relatively little foreign involvement in the future.

South Korea's state-owned Korea Electric Power Corporation (Kepco), said yesterday it had provisionally selected three US companies to supply equipment and services for its 10th and 11th nuclear power plants, at a total cost of $3bn. Combustion Engineering, which will supply the pressurised light water reactors, confirmed yesterday that it had been awarded the "first rights of negotiation" for the contract. The Chicago firm of Sargent and Ludny, which will provide the design and consultancy work, said it had also been notified that it was the number one bidder. General Electric will provide the turbines.

The three companies were chosen from a list of 13 bidders and competition has been extremely fierce for the South Korean order, which is the only international nuclear power project put out to tender this year. Among the other contenders were Westinghouse of the US, Atomic Energy of Canada, which produces pressurised heavy water reactors, and Alsthom of France.

The provisional deal is a coup for Combustion Engineering, which has been chosen ahead of Westinghouse Electric, probably the best-known US manufacturer of nuclear power plants. Westinghouse, which has built six power plants in Korea, said yesterday it was disappointed by the decision but noted it had been picked by Kepco as the alternative choice. Westinghouse said it was ready to resume negotiations on the project if "Kepco and the first choice supplier failed to reach agreement."

Kepco said work on the two plants, the sites for which have yet to be decided, is scheduled to start in June 1989 for completion in 1995 and 1996.

South Korea, which operates six nuclear power stations and has three more under construction, is unusual in that it is proceeding with an ambitious expansion of its nuclear power industry at a time when most other countries have stopped building nuclear plants. The country does not have an active anti-nuclear lobby and the recent Chernobyl disaster has had no visible impact on the country's plans roughly to double its nuclear power industry by the year 2,000.

By the turn of the century South Korea plans to be producing 30 per cent of its power from nuclear plants compared with 18 per cent at present.

Paul Betts in Paris adds: France accused the US yesterday of putting political pressure on South Korea to clinch for a consortium of US companies the $500m contract for the construction of two 900MW nuclear power plants.

Mr Jean-Pierre Desgeorges, chairman of Alsthom, the French heavy engineering group controlled by the nationalised Compagnie Générale d'Electricité (CGE), claimed the rival French bid for the two plants was "by far the best" but that the US Administration's political arm-twisting enabled the US companies to win the contract.

CONTENTS

Turkey urged by OECD to reduce rate of inflation

TURKEY'S Government must tackle inflation, still running at more than 30 per cent a year, to consolidate an economic recovery, the Organisation for Economic Co-operation and Development (OECD) said yesterday, Reuter writes from Ankara.

For two years strong economic growth had gone hand-in-hand with an improvement in the balance of payments, helped by rising exports, it said in a report on government economic policies.

Economic growth is forecast by the government at 6.5 per cent this year, up from 5.1 per cent in 1985 and more than double the average for the 24-industrial-nation OECD group.

But high unemployment, rising debt and the reluctance of foreign banks and investors to put money into Turkey were problems that were unlikely to be solved until price rises were brought under control, the report said.

After nearly a decade of austerity, Gross National Product measured in terms of the population is the lowest in the OECD, at $1,000 (£698) per person a year. But even so, "some additional restraint of domestic demand may well be required," the OECD secretariat said.

Reliable indicators for the Turkish economy were scarce, but inflation seemed to speed up early this year as a result of a government decision to raise energy taxes.

On the positive side, good weather this year was likely to boost farm output by 6 or 7 per cent and there was evidence of strong growth in the building industry. But the Government gets little direct benefit because farmers pay no direct taxes.

A soaring budget deficit has pushed interest rates to around 50 per cent and plans to reduce the deficit by selling state industries offer little immediate hope because many state businesses are uneconomic and "may not easily find buyers," according to the OECD.

The balance of payments, despite improvements, is still likely to pose problems over the next few years, dragged down by a persistent $3bn a year trade deficit.

Efforts to attract commercial loans "would look better if domestic inflation were lower and the current deficit, at least temporarily, could be eliminated," the report said.

David Barchard reports on the revival of one of Turkey's leading political figures

Demirel bounces back to defy Ozal and the army

THE WHITE horse, emblem of Turkey's centre right Justice Party, features prominently on the walls of Mr Suleyman Demirel's study in his Ankara home. For 25 years the party he helped to found and led until its supression after the 1980 military coup, has been a major force in the country's politics.

After six years in the wilderness, Mr Demirel and his followers believe that he is on the road to victory again. Even his political opponents think that he will probably win the next general election in two yers' time, spending the intervening period trying to shake the life out of the Motherland Party Government of Mr Turgut Özal, the Prime Minister.

Mr Demirel has been Turkey's Prime Minister six times, twice deposed by military coupes. *Following the closure* of the Justice Party in 1981, he was banned by the military *from holding office or joining* a political party until 1992, a decision later confirmed in a referendum held under tightly controlled conditions.

It was not until Sunday's by-*elections for 11 vacant seats in* Turkey's parliament that Mr Demirel was able even to make *his followers aware of how to* vote for him. In the first vote since the coup held in relatively free conditions without martial law or Press censorship, Mr Demirel's True Path Party won just under 25 per cent of the vote.

> He is moving carefully, never confronting the army directly. He stresses the importance of a strong state and the role the military must play in this.

The Motherland Party managed only 32 per cent, while the official social democratic opposition came third, one percentage point behind Mr Demirel's party.

The huge success of Mr Demirel's rallies before last Sunday's vote, suggest that in the future his popularity could spell the end, not only for the Ozal Government and its economic reforms but also for the system which the military set up in 1983.

For Mr Demirel has developed a remarkable charisma, appealing to lower-class Turkish *voters*. Coupled with his almost infinite energy and subtlety as a political manoeuvrer and the efficiency of his organisation throughout the country, this is likely to make him a power in the land.

The attempt by the military to close his party was doomed the moment Turkey began to move away from martial law. IThe Truth Path Party has successfully fought-off a court case accusing it of being a continuation of the Justice Party, which is technically illegal. But as one party official said recently: "The tradition is important, the name *isn't*."

Mr Demirel is moving carefully, never confronting the *army directly*. *He stresses the* importance of a strong state and the role the military must *play in this*. *But he is also* understood to have sent a warning to President Kenan Evren, leader of the 1980 coup, that after 1989 the President will be a private citizen and might have to face the consequences of his actions.

Mr Demirel is concentrating on building up a vast populist following of mainly poorer groups, including farmers who have suffered from the Ozal Government's *policies*. *His* aim will be not just to climb past the 30 per cent level in the elections *and deflate the still* artificial-looking Motherland Party (which has no roots *among* the voters), but to win more than 50 per cent of the vote.

This would make him strong enough to dictate terms. Mr Demirel *says* that he does not care whether the political ban on him is lifted or not, for if he scores a major victory in the election the ban will not matter.

The True Path leader can take comfort from the disarray on the left. Mr Bullent Ecevit, another former Prime Minister *also subject to political* restrictions, insisted upon leading his own faction at last weekend's *poll, thus splitting* the social democratic vote. One urban voter who normally supports the *social democrats said:* "*If Demi*rel is promising more money in our pockets then I am going to vote *for him*."

Mr Demirel: charismatic appeal to ordinary Turkish voters

Mr Demirel has fought off the social democrats before, mainly through expedient alliances with neo-fascists and Islamic fundamentalists during the *1970s in the years before the* military coup.

His struggle for survival has left *him* with *some scars*. Mr Demirel regards Western conservative parties as allies of *the military and* enemies *of* popular democracy in Turkey. Though centre-right, he has little understanding or love for big private sector companies or the international money markets, whom he regards as allies of Mr Ozal.

To succeed, he must promise higher incomes quickly to most Turks, and thus cannot accept that his economic policies in the 1970s were a failure. If he comes to power in the near future, many of the disciplines and much of the newly created free market structure introduced by Mr Ozal may be dismantled.

Green parties in Austria join forces for election

BY PATRICK BLUM IN VIENNA

AUSTRIA'S largest "green" groupings have joined forces to present a united campaign in the general election next November with the hope of capturing up to 14 seats.

After difficult negotiations the main green groups including the conservative Vereinigte Gruenen Oesterreich (VGO) and the left-wing Alternative List (AL) have reached agreement on a minimum programme and over the choice of main candidates. Ms Freda Meisner-Blau, a former Socialist Party member who runs as the "green" candidate in last May's presidential election will lead the joint campaign. In the presidential race Ms Meisner-Blau won 5.5 per cent of the vote.

The "Greens-Alternative List" campaign will focus primarily on environmental issues and civil rights. Ms Meisner-Blau said that she would be running in firm opposition to the established parties and she ruled out any possibility of participating in a coalition.

The greens are expected to take a large part of their votes from the Socialist Party in the main cities and some votes from the conservatives in the provinces. They are not represented in the Austrian Parliament but several members of Green groupings have been elected to provincial parliaments and local councils.

Austria's Greens came to prominence in the autumn of 1984 when after protests and clashes with the police they forced the Socialist-led coalition government to abandon plans to build a large hydro-electric power plant and dam.

Drug fraud confirms Roman bias

BY JOHN WYLES IN ROME

THAT white-coated paramedically supportive pillar of Italian society, the pharmacist, was yesterday at the centre of a politically sensitive scandal involving an alleged L350bn (£178m) drugs fraud.

According to Mr Carlo Donat Cattin, the Italian Health Minister, this is the amount which has been siphoned out of health service funds in the provinces of Campania, Calabria and Sicily. It is no coincidence to the minister's mind that these areas are organised crime centres.

In each province a combination of pharmacists, local health authority employees and enterprising printers (of false receipts) has come together to extract funds for drugs which have not in fact been issued to the sick.

Although there has been a previous example of such a fraud in Lazio four years ago, this appears to be the largest plundering of the health service ever. It comes at a time when the Government is trying to grapple with a 60 per cent leap in health costs over the last five years and when the issue of public service corruption in the south is being ventilated by Mr Bettino Craxi, the Italian Prime Minister. It is specially embarrassing for the vociferous political and industrial lobby which is calling for an ever larger allocation of funds to the Mezzogiorno.

In Rome and points northwards, most Italians believe that an unacceptable slice of public money finds its way into the *wrong southern hands* and Mr Donat Cattin's revelations will only strengthen demands for responsible public control.

Its absence is a key explanation for a drugs fraud which has been running for at least three years. "The possibilities of fraud are practically limitless. The most elementary controls are missing," says Ms Monica Tavernini, the Communist Party's regional councillor for Campania.

In Naples, for example, which reportedly handles more than 3m prescription receipts every ten days, only seven pharmacists are employed to check their veracity.

The scandal was unearthed earlier this month when Naples whose finances are the most shambolic in the country, ran out of money to reimburse pharmacists claims for drugs issued by prescription. Mr Donat Cattin made inquiries of Farmindustria, the pharmaceutical manufacturers association which delivered the opinion that there was a suspicious gap between drugs supplied to pharmacists in the Campania and the larger quantities "apparently" distributed.

Soviet Jewry plea to Israel

MR ANATOLY SCHARANSKY, the former Soviet dissident, yesterday called on Israel not to restore diplomatic relations with the Soviet Union if Moscow refuses to relax the current clampdown on Jewish emigration, AP reports from Amsterdam.

"Israel must be at the top in supporting Soviet Jewry," Mr Scharansky said here in an interview, adding that renewed ties between the Jewish state and the Soviet Union should only be resumed if they are "connected to the fate of Soviet Jewry and, of course, some guarantees about security."

The Netherlands was the last stop of a four-nation European tour which took Mr Scharansky to France, Belgium and Britain.

EEC acts against Lisbon over grain trade monopoly

BY DIANA SMITH IN LISBON

THE European Commission has begun proceedings against Portugal for violation of the Treaty of Rome over Lisbon's handling of grain imports.

It is the first formal case against Portugal since accession in January this year. Greece, whose economy and weight of state intervention is not unlike that of Portugal, suffered some 100 proceedings in its early years of EEC membership.

The Commission's protest—initially a note to the Portuguese Government which will become a case at the European Tribunal if answers are not satisfactory—follows demands by private grain traders in September that the Government comply with its commitment to liberalise grain imports.

According to the accession treaty, this year 20 per cent of Portugal's substantial grain imports (worth up to $1bn in drought years and over $500m in better years) should have gone to tender by private traders while Epac controlled the other 80 per cent.

Contrary to expectations, Epac joined and won two of three tenders for a total volume of 470,000 tonnes for the so-called "free" 20 per cent of grain imports. Private traders and the Commission considered this a violation of commitment to gradual liberalisation.

The slowness with which governments have addressed the problem of EPAC, which mushroomed after the 1975 revolution when the Communist Party sought control of agriculture and grain trading, has irritated international grain traders since 1980.

Paris to allow opening of bank accounts abroad

BY DAVID HOUSEGO IN PARIS

FRENCH residents are expected to be allowed to open foreign exchange accounts abroad by the end of the year.

Mr Edouard Balladur, the Minister of Finance, said yesterday that he would announce a fresh relaxation of foreign exchange controls within the coming weeks. But the minister explicitly said that these would not include permission for banks to lend in francs to non-residents.

Mr Balladur's remarks to reporters at a political congress in the east of France follow a period of confusion on the Government's policy over foreign exchange controls.

The Government's policy has long been to lift all controls by the end of the year. But shortly before the IMF conference Mr Balladur put off a planned press conference on the lifting of controls and said he would reflect further on whether France would go the whole way or not. His uncertainty reflected the strains within the EMS as a result of the upward movement of the D-mark.

Mr Balladur now seems to have decided to go ahead with the more eye catching measure while at the same time holding back banks lending in francs to non-residents. The French Treasury takes the view that the Japanese have not gone as far as this and thus that France has reason for holding back.

AP-DJ adds: Mr Balladur did not provide further details on his plans for allowing foreign-currency accounts. The Economics Ministry declined to comment on the measures before the moves are announced in detail.

By letting French residents hold foreign currencies, the Government would effectively be opening the door to speculation against the franc. But analysts do not expect the move to result in serious pressure against the currency, as the amounts involved are thought to be small.

Bankers express more serious reservations about any eventual measures that would allow domestic banks to lend francs to non-residents, as the resultant capital flows could be much larger.

All police leave cancelled as fears rise over terror

BY OUR PARIS STAFF

THE FRENCH Government yesterday decided to cancel all police leave until October 15 because of the continuing threat of terrorist attacks in France.

The exceptional move covers a fortnight that is likely to put a heavy strain on police resources. Over the period the Pope will be visiting Lyon, President Mitterrand will be attending the World Energy Conference in Cannes, and there are big sporting events and two Jewish holidays.

The last time that leave was cancelled for the French police was in 1968 at the time of the May student riots.

Mr Charles Pasqua, the Minister of Interior, said yesterday that "unfortunately I fear that the worst may not be behind us . . . things could get more difficult."

His warning comes when the almost two-week let-up in terrorist attacks has increasingly encouraged people to believe that the pause would last. The police have, none the less, remained edgy, and all large shops and public buildings have established security checks for those entering.

Reflecting the breakup of the national concensus on the handling of terrorism, Mr Lionel Jospin, the secretary of the Socialist Party, said yesterday that, "the Government's credit (over the issue) is now exhausted."

Large shops and cinemas have reported that their business has fallen by about 30 per cent since the terrorist attacks—which have killed five people and wounded over 150.

● A public opinion poll carried out on the eve of the Pope's visit to France shows that the number of Frenchmen claiming to have no religious belief is growing.

While the poll suggests that the number of Catholics has remained stable over the last ten years at 81 per cent of the population, the proportion putting their trust in the Church and its doctrine is falling.

The poll carried out by the Sofres Institute for *Le Monde* shows that the number of those claiming to have no religious belief has risen sharply from 4.5 per cent in 1968 to 15.5 per cent. The movement is strongest among the young with 26 per cent of those in the 18-24 age bracket saying that they have no religion.

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Solidarity seeks legal role in Poland

By Christopher Bobinski in Warsaw

SOLIDARITY, Poland's banned trade union, has established a seven-man council made up of recently amnestied underground leaders and given them the task of securing a legal role for their movement.

News of the council, which was appointed by Mr Lech Walesa, the Solidarity leader, came at simultaneous press conferences in Warsaw and Gdansk a few hours after the Government repeated it would have no dealings with the movement it banned in December 1981.

Mr Jerzy Urban, the Government spokesman, said at his weekly press conference yesterday that there would be no talks with Solidarity.

Mr Walesa also said that the Solidarity Underground Leadership would stay in existence for the time being, but that any one who wanted to come out of hiding could do so.

Mr Zbigniew Bujak, the union's leader in Warsaw who was caught by the police in May and amnestied in September, is one of the members of the new council.

Others include Mr Wladyslaw Frasyniuk from Wroclaw, Mr Bogdan Borusewicz from Gdansk, and Mr Tadeusz Jedynak from Silesia.

All helped to set up the underground leadership after the union was banned and were caught at various times by the authorities.

Mr Walesa said in a statement setting up the group that his movement was ready "to demolish those elements which function in the minds of the authorities as barriers erected by Solidarity."

He later told reporters: "We are ready to show restraint in putting forward pay demands and could consider suspending the right to strike in the interests of the country."

"But first we must have those rights restored," he stressed, adding that other unions banned along with Solidarity in 1981 should also be permitted.

Chemical strike in Italy

THOUSANDS of Italian chemical workers stopped work for four hours yesterday in a move calculated to raise the temperature of national negotiations on pay and conditions, John Wyles reports from Rome.

If union claims of 100 per cent support are reliable then more than 250,000 workers took part in the stoppage.

The chemical workers are one of several big groups whose national agreements are currently being renegotiated. Unions are encountering a tough line from employers across all industries. They are determined to hold down pay rises to a total of around 14 per cent over the next three years.

Belgium faces crisis over mayor

BY A SPECIAL CORRESPONDENT IN BRUSSELS

THE CENTRE-RIGHT coalition Government of Mr Wilfried Martens faces a first-class constitutional crisis following a decision yesterday by the quasi-judicial Council of State.

The council annulled the appointment of the French-speaking mayor of the Fourons district, Mr José Happart, on the grounds that his knowledge of hte Dutch language was insufficient for him to be able to carry out his mayoral duties in a region where it is the official administrative language.

The Fourons is a tiny commune comprising six villages and 4,500 people, nestling the Dutch border near Masstricht. The spoken language there is Platt Deutsche, a scarcely comprehensible Germanic dialect, but two-third of the inhabitants claim to be French-speakers and the remainder Dutch.

The Fourone (Voeren in Dutch) has frequently been at the centre of eBlgium's chronic language disputes. It was transferred in 1963 from the French-speaking Liege province to Dutch-speaking Linburg, a decision most of its citizens have never been willing to accept.

Mr Wilfried Martens

Mr Happart, who had an established reputation as a none-too-peaceable street agitator, was elected as the head of a list ntitled Retour a Liege in the last local elections in 1982, and his supporters immediately nominated him to be mayor.

This almost led to the collapse of Mr Marten's last government (two of whose predecessors had already fallen over disputes concerning the Fourons), as all the Flemish ministers threatened to resign if he were appointed and all the French-speaking ministers said they would go if he was not. (All Belgian mayors are appointed on the government's recommendation, though normally the choice of the local councillors is named automatically.

A compromise was eventually reached under which Mr Happart was appointed, but on condition that he learned enough Dutch to carry out his mayoral duties.

The Council of State's decision presents an immediate challenge to Mr Charles-Ferdinand Nothomb, the Interior Minister, whose responsibility it is to make a fresh nomination to the mayor's chair. He will first consult the Fourons council, who are likely once again to propose Mr Happart, who is now also a Socialist member of the European Parliament.

The fact that the chamber of the Council of State which issued the ruling is entirely composed of Dutch-speaking judges is unlikely to encourage the Fourons councillors to adopt a more accommodating stance.

The Government's dilemma is that two of its fundamental principles are now in conflict. The freedom of choice of the voters has collided with the constitutional arrangements painfully contrived to preserve the unity of a bi-lingual state.

Rome withholds grants from state companies

BY JOHN WYLES IN ROME

THE ITALIAN Government has unexpectedly withheld grants totalling L2,500bn (£1.25bn) over the next three years from the two giant state holding companies, IRI and ENI, in its formal 1987 budget proposals sent to parliament yesterday.

The decision is a measure of the financial recoveries achieved by groups which earlier this decade where a huge burden on the public exchequer. It also testifies to the Government's last-minute difficulties in meeting its public sector deficit target of L100bn.

Targeted cuts of L2,400bn in current spending proved difficult to achieve. The final proposal contains L2,000bn worth, nearly half of which will be achived by cutting tax subsidies on employers' social security payments.

Bits and pieces have been taken off departmental spending plans, although defence has had to surrender L300bn. Capital spending will rise to around 7 per cent with a special emphasis on job creation in the Mezzogiorno.

The refusal of grants to IRI and ENI was decided after the Liberal Party insisted that both groups were now able to finance themselves. IRI is expecting to break even this year after a L849bn loss last year. ENI, meanwhile, is unlikely to match last year's L814bn profit.

Spokesman for both companies said yesterday that the decision was unlikely to create any big problems.

Key public sector workers start strike in Sweden

BY SARA WEBB IN STOCKHOLM

OVER 14,000 public sector workers in key administrative jobs and the health service came out on strike in Sweden yesterday following the breakdown of last-minute talks with the state-appointed mediating commission.

The two blue-collar union confederations, SF and KF, postponed their strike action and will announce their decision on whether to join the strike later today.

Meanwhile, KTK which represents about 300,000 white collar municipality workers, and TCO-S which has about 270,000 members, went ahead with their threat to strike from noon yesterday. TCO-S called out over 4,000 members working in customs declaration offices, railway ticket offices, and in the post office sorting bills.

"Our strike will be invisible to the public, but the state will notice its effects," said Ms Marianne Swahn, on the TCO-S secretariat.

KTK's strike will have a more noticeable affect since many of its members are in the public service sector. It has called out 10,000 members, including nurses, day-care centre workers, public transport supervisors, and financial planners in the municipality and county council offices who are supposed to be working on budget for the next financial year.

Already one hospital in Uppsala has shut, transferring patients to other hospitals in the area because of a shortage of nursing staff.

Airline baggage charges attacked

By Quentin Peel in Brussels

URGENT REFORM of the "archaic" excess baggage charges levied by European airlines was called for yesterday in a report published by EEC consumer organisations.

Members of the International Air Transport Association (Iata) were accused of maintaining punitive charges for excess baggage

The report published by the European Bureau of Consumer Unions (BEUC) calls on the European Commission and member states to outlaw the current system, under which passengers have to pay 1 per cent of the first class fare for every kilogram of excess baggage they carry.

Mr Donald Pevsner, the US lawyer and travel writer who wrote the report, pointed to the enforcement in the US of the "piece" baggage system, under which all passengers are allowed two pieces of luggage of luggage of specific dimensions, regardless of weight.

He cited the case of a passenger starting his journey in the US and connecting with the British Airways flight from London to Nairobi, who would be allowed to check in two items of baggage weighing 32kg each, plus a 5kb piece of hand baggage.

An economy-class passenger starting on the same journey in London would be required to pay £499 for an identical amount of baggage, he said.

Yugoslav interest rates

Yugoslavia is to raise interest rates despite a pledge to maintain present levels until 1987, Prime Minister Branko Mikulic has told the country's economic chamber, Reuter reports from Belgrade.

SURPRISE MEETING OF US-SOVIET LEADERS IN ICELAND

Reagan about-turn takes US experts by surprise

BY STEWART FLEMING, US EDITOR IN WASHINGTON

EXPERTS in East-West relations reacted with surprise in Washington yesterday to President Reagan's announcement that he would meet Mr Mikhail Gorbachev, the Soviet leader, in Iceland on October 11 and 12.

The White House has insisted, in the past, that the next summit should be in the US, as agreed a year ago at the Geneva summit, that it should be well prepared and be more than another fireside chat.

Washington has also been reluctant to hold a summit during the run-up to the mid-term November elections on the grounds that, at this time, Mr Reagan would be under maximum pressure to be conciliatory.

If he takes too hard a line and the meeting breaks up in apparent dissension, Administration's critics in the Democratic Party might be able to exploit this at the polls.

But the White House has abandoned its earlier tactics and acceded to Mr Gorbachev's request for a meeting on neutral territory, being described here as a pre-summit summit, at a time when it is backing off from its earlier tough line over Mr Nicholas Daniloff, the US journalist accused of spying in Moscow, who was freed on Monday.

The coincidence makes it tempting to conclude that Moscow has won two sets of concessions in two weeks of talks between Mr George Shultz, the US Secretary of State, and Mr Edward Shevardnadze, the Soviet Foreign Minister. The temptation is greater because of the difficulty of divining Soviet motives for making the summit proposal.

From Washington's perspective, however, a pre-summit summit does have advantages.

First, once Mr Gorbachev had made the proposal, in a letter Mr Shevardnadze delivered to Mr Reagan two weeks ago, it was difficult for the White House to turn down the suggestion without appearing to be uninterested in improving US-Soviet relations.

Second, as Mr Shultz maintained yesterday, to the extent that such a meeting can narrow differences in areas where there is clear progress on arms control, it is also in Washington's interest to meet.

Assuming the meeting goes well, a summit proper could take place in Washington this year. The Iceland meeting will help to dispel the tensions created by the Daniloff case and allow Mr Gorbachev to step on to American soil in a better atmosphere than might otherwise have been the case.

There are, however, risks attached to Iceland. Its timing before the election means pressures on Mr Reagan to keep arms control talks on track are greater.

Of late, however, Mr Reagan has been under the most intense political pressure from right-wing critics who have accused him of "blinking" first in his confrontation with Moscow over Mr Daniloff.

They will be watching closely to see if, in their judgment, he blinks again in Iceland, which will temper any inclination there might be on Mr Reagan's part to worry about the domestic electoral implications.

Iceland, if it is a success, seems most likely to lead to progress in talks on medium range missiles in Europe, non-proliferation of chemical weapons and the so-called risk reduction centres designed to reduce the chances of accidental war rather than on the central issue of long-range missiles and the US Strategic Defence Initiative.

But, no doubt to the dismay of those in the Reagan Administration who cannot bring themselves to accept Mr Shultz's policy towards Moscow, the meeting later this month between Mr Gorbachev and Mr Reagan must be interpreted as another step on the path of trying to ease US-Soviet tensions by concluding arms control agreements.

● A statement issued by the office of Mrs Margaret Thatcher, the British Prime Minister, described the Reykjavik meeting as "a constructive development."

A wave from US journalist Nicholas Daniloff as he leaves the US consulate in Frankfurt before flying to Washington. His release on Monday removed a serious hurdle in the run-up to the summit

Daniloff compromise shows Moscow badly wants meeting

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union's efforts to resolve the Daniloff affair and its failure to retaliate after the US expulsion of 25 Soviet diplomats at the UN have underlined Moscow's urgent desire for a second summit.

The likely extent of any diplomatic agreement on nuclear arms control at the Reykjavik meeting between Mr Reagan and Mr Gorbachev remains unclear, but the fact that the meeting will take place at all shows that the Soviet leader is generally prepared for a diplomatic compromise if he can make a political gain.

The two leaders' last summit in Geneva in 1985 had "improved the atmosphere" between Washington and Moscow, Mr Gorbachev said at the time. He also insisted that the next meeting must produce substantive results in limiting nuclear arms or there was no point in him attending.

This approach was always only part of the story. The Soviet stance overwhelmingly emphasises the reduction in nuclear arms and the preservation of existing agreements such as the Anti-Ballistic Missile treaty and the unratified Salt 2 treaty limiting strategic weapons, from which President Reagan threatened to break out this November.

But Mr Gorbachev and some of his advisers see a reduction in US public hostility towards the Soviet Union and the consequent unwillingness of Congress to fund new weapons systems as an effective way of controlling the arms race, possibly with as much significance as diplomatic agreements on curtailing nuclear weapons.

The economic benefit to the Soviet Union of a nuclear arms agreement has been exaggerated by some observers. The real economic gain from the Soviet point of view would arise if the arms race slowed in more expensive conventional weapons, rather than the comparatively less expensive nuclear arsenals.

Moscow has been disappointed at the results of the last summit. It has complained ceaselessly over the past year at President Reagan's statement that he will abandon Salt 2, at his refusal to respond to the Soviet test ban, and at the bombing of Libya, a Soviet ally.

The Kremlin's position is difficult. Soviet commentators say they see hardliners within the US Administration trying to sabotage an understanding between Moscow and Washington by staging incidents, but they also fear that if they do not react they will look weak.

It is this fear of looking weak which was apparently behind the arrest of Mr Nicholas Daniloff, the US reporter, on August 30. The arrest of Mr Gennady Zakharov, a Soviet official at the UN, for espionage was taken as a test of Soviet strength of will and the result was immediate retaliation. Moscow has spent the last month trying to escape the political consequences of such over-reaction.

Nevertheless, the holding of the Reykjavik meeting now, in the immediate aftermath of the Daniloff affairs, shows that the willingness of the two superpowers to reach agreements is much greater now than during Mr Reagan's first Administration.

The Soviet side probably expects only limited agreement on nuclear or conventional arms limitation under President Reagan but they feel this is a step in the right direction.

Many problems remain before full summit

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

THE announcement that President Ronald Reagan will meet Mr Mikhail Gorbachev in Reykjavik in the second week of October has been welcomed in western capitals as an indication that both the superpowers are serious about improving east-west relations and reaching an arms-control agreement.

There are no illusions, however, that the meeting will be anything but a pre-summit at which substantive issues will, no doubt, be discussed but will not be finally resolved.

That will be the task of the "real" summit which, it is hoped, will take place before the end of the year or, possibly, at the beginning of 1987.

The suggestion to hold a preliminary summit came from Mr Gorbachev, who has said all along, that he does not want another full blown meeting with President Reagan at which no concrete decisions are taken.

By concrete decisions, the Soviet leader clearly has in mind an agreement on nuclear arms control, or at least on specific directives to the negotiators of the two sides in Geneva, which would enable the latter to conclude an agreement within a very short time.

The moment for such a deal clearly is not yet ripe, though the noises that are being made by both the US and the Soviet Union indicate that prospects are considerably brighter than they were only a few weeks ago.

The most positive comment has come from Mr Hans-Dietrich Genscher, the West German Foreign Minister, who said last Saturday that the US and the Soviet Union were closer to an agreement on Intermediate-range Nuclear Forces (INF) than they had ever been.

That judgment, however, is considered to be somewhat over-optimistic by Nato officials, though they admit that recent Soviet concessions have narrowed the gap between the two sides in Geneva.

Moscow has not only dropped a demand that the British and French nuclear forces should be counted in any final equation of Nato and Warsaw Pact nuclear weapons, but has proposed an interim solution under which each side would be allowed to station 100 warheads in Europe.

Though the US in February 1986 tabled a three-phase plan for the elimination of all longer-range INF weapons in Europe, Washington has indicated that it is prepared to accept an interim solution.

Many obstacles remain to be overcome before an agreement even on this problem alone can be reached, to say nothing of the related issues of strategic nuclear weapons and the highly controversial matter of President Reagan's plans for a space-based defensive system (SDI).

The biggest sticking point is Moscow's refusal so far to discuss reductions of shorter-range missiles, the SS-22s and SS-23s, with a range of 500 to 900 kms

Tory vote falls sharply in Canadian by-elections

By Bernard Simon and Robert Gibbens in Montreal

THE DIFFICULTIES confronting Canada's Progressive Conservative government have been reflected in a sharp loss of support in by-elections in the provinces of Alberta and Quebec.

A Conservative candidate was elected with a majority of only 200 votes in the rural Alberta constituency of Pembina, near Edmonton, after the Tories won the seat by more than 34,000 votes in the 1984 general election. In the St Maurice constituency near Montreal, which was retained by the opposition Liberal party, the Tories' share of votes fell from 35 per cent in 1984 to 20 per cent.

The two by-elections were the first since the Conservative government, led by Mr Brian Mulroney, the Prime Minister, swept into office in a landslide victory two years ago. Mr Mulroney's mandate extends to 1989, but the latest results are likely to reinforce the view that the Tories face an uphill battle to ensure another clearcut parliamentary majority at the next general election.

The setback in Alberta reflects discontent in western Canada at the federal government's response to the slump in energy and grain prices. The difficulties in the region's energy and farming sectors have revived hostility in the west to the oil-consuming provinces of central Canada, which have recently enjoyed a period of strong economic growth.

The Tories made an unexpectedly strong showing in Quebec in 1984, winning 58 of 75 seats in the predominantly Francophone province. But the party has failed to maintain its strength, partly due to poor grassroots organisation, and partly to the popularity of a new Liberal government in the province.

Mr Mulroney has given close attention to Quebec in recent months, allocating key cabinet seats to MPs from the province and announcing a string of public works contracts and other financial support measures.

US arrests more illegal immigrants

A RECORD 1.77m illegal aliens in the US were arrested in the 1986 fiscal year, up a third on last year, AP reports from Washington.

Among the illegal immigrants 60,000 were non-Mexican, an increase of more than 16,000 on the previous year.

"The large number of non-Mexican illegal alients being apprehended illustrates the fact that our southern border is becoming an area of preference among those seeking to enter the US illegally from around the world," said Mr Edwin Meese, Attorney General.

Congress plans emergency funding bills

BY NANCY DUNNE IN WASHINGTON

THE US CONGRESS, bogged down in debate over spending decisions ranging from aid for the Philippines to beer monopolies, was preparing yesterday for what has become an annual rite—passing emergency short-term funding legislation to prevent a government shutdown.

The new fiscal year begins today and Congress has yet to approve any of its regular spending bills. Congressional leaders have drawn up stop-gap funding measures amid the usual debate about how long it would take for disagreements between the White House, the Senate and the House of Representatives to be resolved.

In the process, Congressional leaders acknowledged that the October 3 deadline set for adjournment to enable Congressmen facing re-election to campaign could not possibly be met.

The Senate, trying to pass a record \$556bn (£386bn) spending bill for 1987, was scheduled to wade through 120 amendments before passing the measure. It will then go to conference with the House, which has already passed a \$562bn spending bill, to try to work out major differences over military spending, foreign aid and arms control.

The legislation then faces a threatened veto by President Ronald Reagan, who wants military appropriations increased and restrictions imposed by the House on his strategic defence initiative (SDI) removed.

The Senate still has to vote on whether to override President Reagan's veto of economic sanctions against South Africa and on the impeachment of a federal district judge, who is accused of tax evasion.

On the first of the 120 amendments, the Senate rejected a House amendment to grant \$200m in adidtional aid to the Philippines.

However, even that issue has not been laid to rest. Senator Robert Dole, the majority leader, said he may support a copromise involving the transfer to the Philippines of \$200m from a \$300m fund designated for several central American democracies as part of the aid package for the Nicaraguan rebels.

The second amendment faces a filibuster threat. It would exempt beer distributors from anti-trust action, and according to Senator Howard Metzenbaum of Ohio, "Joe six-pack is going to have to pay more."

These and other issues of national interest to constituents will keep an anxious Congress in session at a time when it desperately wants to go home to campaign for the November elections.

Mexico to start monthly wage indexation next year

BY DAVID GARDNER IN MEXICO CITY

MEXICO WILL adopt wage indexation next year, with monthly reviews of the minimum wage linked to inflation, according to Mr Fidel Velasquez, leader of the official trade union movement.

Mr Velasquez, considered the most powerful man in Mexico after the President, told a press conference President Miguel de la Madrid was preparing a law to introduce the sliding scale wage system.

Since Mr de la Madrid took office at the end of 1982, after Mexico's financial collapse, the minimum wage has been reviewed every six months.

Workers have lost about 45 per cent of real purchasing power since 1982 because settlements have lagged behind inflation. Two increases so far this year, for a total of 60 per cent, compare with inflation running at an annual rate of nearly 100 per cent. Mr Velasquez's movement is demanding a third emergency wage rise before the end of the year of about 30 per cent.

Official trade unions have called remarkably few strikes during the worst economic crisis for 50 eyars. But an internal government document earlier this year expressed doubts about whether the movement's authority could withstand further erosion of members' living standards.

The economically orthodox government has resisted wage indexation and presided over huge transfer of resources from labour to capital, as well as a sharp reduction in the "social wage" through withdrawal of subsidies on staple foods and public transport.

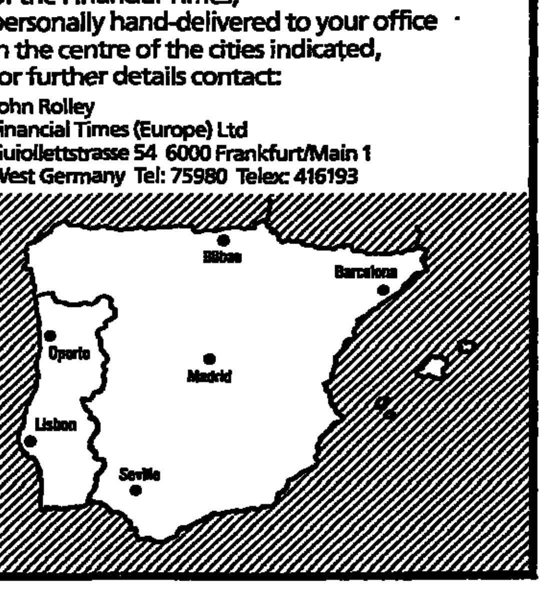
Embargo hits Nicaragua

NICARAGUA'S trade deficit is expected to reach \$608m this year, due largely to the US embargo and the war with anti-Sandinista rebels, AP reports from Managua.

Alejandro Martinez Cuenca, Minister of Foreign Trade, said Nicaragua expects to earn \$232m from exports, chiefly coffee, cotton and bananas, but will import \$840m worth of goods.

"Some people will try to blame the Sandinistas for the crisis, but the war and the international financial crisis are to blame," Mr Martinez said.

The trade embargo imposed last year by President Reagan has cost Nicaragua \$108.4m, he said. That is the amount Nicaragua has had to pay for goods from more distant and expensive markets, plus losses from having to find alternative markets for goods formerly shipped to the US.



Conable pledge to revitalise battle against poverty

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

A DRIVE for sustained development and vigorous dedication to the battle against global poverty were promised yesterday by Mr Barber Conable, president of the World Bank, in his first address to the annual meeting of the IMF and World Bank.

Outlining the priorities of his leadership, he said the bank did not need a new direction but a fresh commitment to its original development purpose.

The speech was couched in language that betrayed his background as a US Senator. Described by delegates as a rallying call to the faithful, it was upbeat and determined with a tone far removed from the dry language of his predecessor, Mr Tom Clausen, a professoinal banker.

Mr Conable said the bank should not be an agency for debt management but should exert its influence to shield development from the volatility of financial markets and aid flows, to encourage free world trade and to adjust the developing country debt burden so that borrowing could again be a stimulus to progress.

Agricultural development in the poorest nations would continue to be one of the bank's central priorities but in a new emphasis on long-term issues, Mr Conable also promised to address population concerns, the environment and the position of women in development.

"Women do two-thirds of the world's work. They produce 60 to 80 percent of Africa's and Asia's food, 40 per cent of Latin America's, yet they earn only one tenth of the world's income and own less than 1 per cent of the world's property," he said.

Stressing that progress towards development has not been automatic and smooth, he warned that in too many nations resources meant for development were being diverted into debt service and economic stabilisation plans were impediments to growth.

"It is not enough to endorse the proposals US Treasury Secretary Baker made this time last year in Seoul," he said. With regard to middle-income nations, the private financial community must move from approval in principle to action in practice."

Only growth would produce the income to ensure debt repayment. Growth and free trade go together, he said, pledging the bank would do its utmost to ease and accelerate the new round of multinational trade negotiations launched earlier this month in Punta del Este Uruguay.

"Those who wish, as I do, to see the developing countries liberalise their own trade rules must themselves come to court with clean hands," he said, in a warning against protectionism directed at industrial countries.

He also moved to counter criticism that the bank had not been lending enough. Total lending in the year to June 30 had grown by 16 per cent, he said, but loans to 10 higly indebted countries that embraced loan programmes had increased by 47 per cent.

Philip Stephens explains the arguments behind an agreement to disagree

Industrial countries patch cracks

THE leading industrial countries almost needed a failure. The hype that accompanied successive meetings of finance ministers and central bankers since last September's Plaza accord had led to an impossible build-up in expertations.

Their public disagreements over exchange and interest rates over the past few days will perhaps persuade Mr James Baker, US Treasury Secretary, from using extravagant superlatives to describe progress in international economic co-operation.

His comment at last May's Tokyo summit that the adoption of new indicators of economic policy and performance marked the biggest breakthrough since the collapse of Bretton Woods came back to haunt him this week.

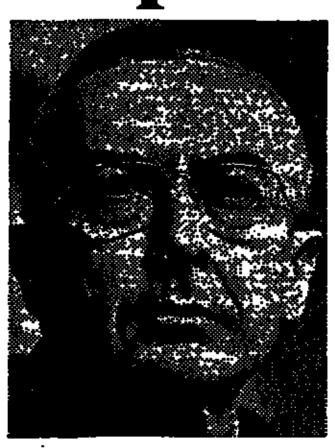
This time the representatives of the seven leading economies, the US, Japan, West Germany, France, Britain, Italy and Canada, had no magic formula for economic nirvana to present to the hordes of waiting journalists.

The best they could offer was agreement to disagree on short-term co-ordination of exchange and interest rates and a pledge that they would intensify efforts to co-operate in building a medium-term framework for the world economy.

By all accounts, and discounting the obvious determination of participants to put the best gloss on the outcome the talks were tough rather than acrimonious. "It was hard talking not shouting across the table," one participant said after the more than 10 hours of talks first between the Group of Five (omitting Italy and Canada) and then the Seven.

Europe and Japan did not win the accord they sought to stabilise the dollar after its 30 per cent fall since March 1985. Washington, in turn, got nowhere in its demands that West Germany and Japan cut interest rates to speed the pace of growth outside the US.

Mr James Baker



Mr Jacques de Larosière

But there does seem to be at least a temporary truce after the acrimonious exchanges which marred the run-up to the meetings.

Mr Baker has stuck firmly to his analysis that even when the full effects of the dollar's depreciation feed through, the major current account imbalances in the world economy will remain. To reduce the US current account deficit and the Japanese and West German surpluses to a sustainable level will require faster growth in the latter two countries or a further fall in the dollars value.

Mr Baker appears to have agreed to stop actively seeking to push down the dollar and has raised no public objections to West Germany's intervention to stabilize it.

West Germany and Japan have tacitly accepted that if economic growth in their countries does not live up to expectations, the question of interest rate cuts will be back on the table.

In an aside at one of this week's meetings, Mr Baker hinted that the truce could last until early next year. With Congress about to go into recess, he said, protectionist pressures in the legislature might subside. If the dollar's fall so far had not begun to show tangible results by next spring, however, they would quickly resurface.

Mr Gerhard Stoltenberg, West Germany's Finance Minister, acknowledged the need for such a review in early 1986, suggesting that a Group of Seven meeting be called in January or February.

The Europeans will expect by then that the good intentions of the Gramm-Rudman-Hollings deficit reduction bill have started to show results. "It is agreed on all sides that the fiscal deficit remains too high. Progress in the current year has been disappointing and well short of what was envisaged in the Plaza communique.

Mr Paul Volcker, the US Federal Reserve chairman, appears to have played a key role in preventing the short-term disagreements turning into disaster and securing a greater consensus on medium-term priorities.

His concerns about the risk of a dollar collapse and his basic analysis on how to tackle the current account imbalances has provided a bridge between Europe and the US. The analysis is neatly summarised in the IMF's Economic Outlook.

"Domestic demand will have to grow more rapidly than output in countries whose currencies have appreciated and whose payments surpluses are expected to diminish, while the reverse will have to be the case in countries where a depreciation has occurred."

If all sides are claiming a commitment to strengthened co-operation over the medium term, however, the development of the economic indicators agreed at the Tokyo summit provides no automatic framework.

Mr Jacques de Larosiere, the IMF managing director, made clear that the political will needed to turn them into something more than sophisticated economic forecasts does not exist. "That is the most difficult of all the challenges," he said.

At the same time, there is no guarantee of short-term tranquility. West Germany's Bundesbank has managed to calm the foreign exchange markets and its co-operation yesterday with the Bank of England to prop up sterling has removed one of the irritants undermining European cohesion.

France, however, has left no doubt about its anxietioes that further volatility in the markets would put the franc under severe pressure in the European Monetary System.

Even if all sides are agreed that they want a period of stability to allow time for medium-term policies to work, there is no guarantee the markets will deliver it.

S African court rejects challenge to emergency

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA'S Appeal Court in Bloemfontein put its imprimatur on the country's state of emergency yesterday when it rejected two legal challenges.

It upheld a Government appeal against an earlier Durban Supreme Court finding that certain emergency regulations were invalid and its order that Mr Solomon Tsenoli be released from custody.

It also rejected an appeal by another political detainee, Mr Peter Kerchoff, against the Pietermaritzburg Supreme Court's refusal to order his release on the grounds that he had been improperly arrested.

Legal experts expect the findings, framed in a 64-page judgment, in effect to change the direction of future legal challenges to the emergency and the wide powers of detention without trial it gives President P. W. Botha and the security forces.

Gilbert Marcus, of the university of the Witwatersrand's applied legal studies centre, says it is difficult to conceive of further legal action contesting the validity of emergency regulations but says the Appeal Court's findings does not prevent attacks on the validity of actions taken under the emergency regulations.

In recent months, challenges to the emergency have been upheld by members of the judiciary concerned that the courts have fallen into disrepute among a large part of the population.

This disrepute stems from the court's legalistic rather than humane interpretations of apartheid laws which have criminalised millions of otherwise law-abiding black South Africans.

Despite yesterday's rulings, South African officialdom continues its steady creep into a shell of secrecy. Limited reports of violence which escape the official information net confirm violence is far from being contained.

In the early hours of Tuesday, bombers attempted to sabotage Durban's Mobeni power station, and in the New Brighton black township in Port Elizabeth, arsonists set fire to a school.

The Government's Bureau for Information, the only official source of information on black insurrection, no longer provides details of violence.

Yesterday, for example, all the bureau told the public was that only six of the country's 19 police districts reported "incidents" during the preceding 24 hours. It gave no details.

The bureau's secrecy has been followed by official statisticians at the Customs and Excise Department. This month they stopped disclosing information on the geographic spread of imports and exports. A department official would not say if this was intended as a counter-sanctions move.

● The Chamber of Mines has proposed that its wage dispute with all-black National Union of Mineworkers should be decided by mediators. The union is holding out for a 26 per cent across-the-board wage increase in addition to other improvements to service conditions. The chamber, the employers' negotiating body, has offered increases ranging from 18 per cent to 22 per cent. The two sides have been in dispute since early-July.

Botha move signals battle for succession

BY ANTHONY ROBINSON IN EAST LONDON, CAPE PROVINCE

PRESIDENT P. W. Botha of South Africa yesterday took what is widely seen as the first move towards his retirement by stepping down as leader of the National Party in the Cape after 20 years.

He declined renomination at an emotional session of the party's provincial congress, and the party chose Mr Chris Heunis, minister of Constitutional Development, as his successor.

Mr Heunis, 59, a former lawyer, is in charge of formulating complex constitutional proposals for black-white power sharing. In recent years he has greatly expanded his ministry into a bureaucratic colossus with wide-ranging powers.

In doing so he has gained the political nickname, "his royal Heunis."

The acquisition of a strong provincial party base strengthens his position as one of four front-runners in what so far has been subterranean jockeying for position in the struggle for succession to Mr Botha.

His main rivals are Mr F. W. de Klerk, party boss in the Transvaal, Dr Gerrit Viljoen, former leader of the Afrikaner Broederbond secret society, and now Minister of Co-operation, Development and Education, and Mr Pik Botha, the Foreign Minister.

President Botha made his announcement only hours after he quashed speculation that he would call elections before the end of the year.

Mr Botha is believed to have wanted elections on November 26 but to have been persuaded not to go ahead by ministers who risked losing their seats to the right wing opposition and by technical arguments over the unpredictable outcome of an election fought on outdated electoral rolls.

Some estimates say up to one-third of the white electorate of over 700,000 are no longer on the correct roll and are ineligible to vote. This has been caused by delays in updating the rolls to keep track of the migration of whites to the cities, especially in the Transvaal.

Mr Botha, who is 71 in January, is still apparently vigorous and in good health. But under the new constitution he carries a heavy burden as head of party and Government as well as head of state.

One of the arguments in favour of early elections was that this would have allowed the party to choose a successor with an election safely behind it.

This latest move by President Botha is expected to bring the struggle for the succession more into the open and could complicate future election choices.

Japanese surplus falls 12%

By Ian Rodger in Tokyo

JAPAN POSTED a current account surplus of $7.05bn (£4.9bn) in August, 12 per cent lower than the record $8.03bn surplus in July.

However, the overall balance of payments was $5.5bn in deficit, largely because of a record $13.2bn net outflow of long-term capital.

The outflow was due partly to a surge of share sales by foreign investors as the Tokyo Stock Market was hitting highs.

Their net sales in August totalled $3.6bn. The volume of exports fell 3.4 per cent. This was the sixth consecutive month of falls, reflecting the effect of the strength of the yen on the competitiveness of Japanese goods in world markets. Import volume was up 13.7 per cent.

The trade balance fell only slightly to $8.1bn from $8.7bn in July.

NZ deficit widens on new measurement

NEW ZEALAND'S current account deficit widened to NZ$125m in August from a revised NZ$113m in July on an adjusted measurement, the country's Statistics Department said yesterday. The August figure ended a seven-month trend of falling deficits and showed a slight deterioration normal for this time of year, it said.

Communist chief held in Manila

By Samuel Senoren in Manila

GOVERNMENT security agents have captured a high-ranking officials of the outlawed Philippines' Communist Party in a move which could jeopardise attempts by President Corazon Aquino to forge a peace settlement with communist rebels.

The arrest on Monday night of Mr Rodolfo Salas, listed by the armed forces as the Communist movement chairman, was confirmed last night by Brigadier General Renato de Villa, the national police chief.

The National Democratic Front, the leftist coalition representing the communists in the fitful truce negotiations with the Government, yesterday demanded Mr Salas's release "to save the peace talks."

The front has claimed Mr Salas was a party to the negotiations although the armed forces are known to have recognised only three official members of the front negotiating panel. Mr Salas was not among them.

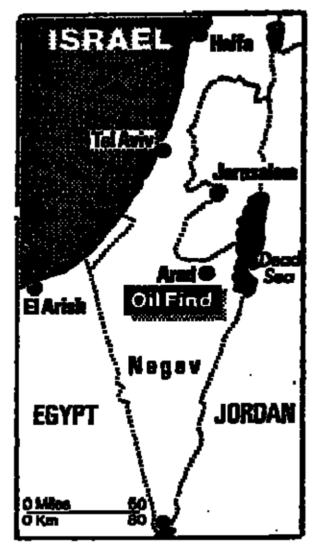
The arrest puts Mrs Aquino in a quandary. If she decides to release him, she could be courting resentment from the restive armed forces which have been trying to capture him for 10 years.

If she keeps him in prison, contact with the communist guerrillas is certain to end.

Military authorities have been mobilising troops in the past few weeks in preparation for a general offensive against the communists' military arm.

Andrew Whitley in Jerusalem on the optimism welling up over a desert oil find

Hammer aims to strike black gold in Israel



ISRAEL and oil have never mixed. Dependent on imported fuel for 98 per cent of its energy requirements, an intensive domestic search for hydrocarbons has until now produced little more than dry holes.

The slump in world oil prices may have lessened the Government's immediate concern, but the national obsession to achieve strategic independence in energy remains as strong as ever. To that end, a recent announcement by Mr Armand Hammer, chairman of Occidental Petroleum, that a private group he heads has "excellent chances" of finding oil in commercial quantities, was sweet music for the Energy Ministry in Jerusalem.

"I am encouraged and optimistic about the prospects" said Dr Moshe Goldberg, head of oil exploration.

Negev Joint Venture (NJV), in which Mr Hammer's private company, Hammer Exploration Israel (HEI), has teamed up with other American and Israeli investors, is to start test drilling next month on its concession area in the northern Negev desert, following 18 months of preliminary seismic work.

On one of his flying visits to Israel, the 88-year-old US oil magnate told local businessmen last month that, if NJV finds oil, it would make Israel completely independent.

Using the latest techniques on Israel's complicated geology, he said NJV's seismic work had produced some "very interesting" finds, and was now negotiating for a large tract of land.

The start of test drilling on NJV's enormous 2m acre concession covering 40 per cent of Israel's land area coincides with the lifting of a two-year government freeze on hydrocarbons drilling.

The freeze, or "time for reflection," was imposed by Mr Moshe Shahal, the Energy Minister, soon after the present coalition Government came to power following a decade of depressing results. Israel had spent over $250m (£175m) on exploration work, thwo-thirds of it put up by the Government, to produce only one tiny find, near Arad, eking out an insignificant 100 barrels a day (b/d).

Israel consumes about 150,000 b/d, a requirement met partly through long-term purchasing contracts with Egypt, Norway, Mexico and Ecuador, and partly through purchases on the spot market. Its import bill this year is estimated at $1.1bn, well down on the average of between $1.7bn and $2bn it spent until 1985 but still representing nearly 10 per cent of non-military imports.

Over the years the country's hopes have been repeatedly raised by optimistic reports from Western geologists on potential oil reserves. The indications were that recoverable oil and gas reserves could be as high as 500m barrels, enough to last for 10 years at present consumption rtaes.

But the cold shoulder given to Israel by the major international oil companies, largely because of their Arab interests, coupled with the allegedly inferior quality of survey work have so far not allowed that promise to be fulfilled.

The Energy Ministry has had its fingers burnt more than once by ambitious ventures, announced with much flourish, which subsequently came to nothing.

One such was Seismica, a local company formed in 1983 to explore the promising Dead Sea-Jordan rift valley region. Seismica announced plans to raise $50m in Israel and abroad to launch its exploration programme, but encountered little investor interest and subsequently had its licence cancelled by the Energy Ministry.

In a bid to attract more foreign investors in exploration, Mr Goldberg said the Government is considering a change in its already liberal regulations for the industry.

This change would release foreign companies from all royalty payments—12.5 per cent of the value of oil found—until they break even. The Government would also like to move away from direct subsidies to greater reliance on licensing, permitting licence holders to use the results of their work to a greater extent.

Apart from the northern Negev, now virtually monopolised by the Hammer group, renewed interest is reportedly being shown by foreign oil companies in the offshire region adjacent to Egypt's El Arish find in the Sinai.

One unnamed US company signed up recently to undertake preliminary exploration offshore, according to the Energy Minister. But the problem in this region is that known oil-bearing strata are at depths of around 1,000 metres, probably making any strike uneconomic at present oil prices.

In April this year, Egypt Israel's largest oil supplier, reduced its average crude price to under $10 a barrel. At that price, most exploration work in the unpromising Israeli environment looks unattractive. But if Mr Hammer, the man who discovered Libya's oilfields in the 1960s, strikes it big, those considerations may well be transformed.

Go-ahead for commercial TV network

THE ISRAELI Government has approved the setting-up of a commercial radio and television network, to be run in competition with the state system writes Andrew Whitley.

A separate broadcasting authority will be established to supervise the network, expected to be financed largely through advertising and sponsorship.

The Cabinet has approved a draft bill establishing the network, a controversial project which has prompted heated debate. The bill is expected to be presented to the Knesset, Israel's parliament, this week.

The debate over Israel's second television channel has concentrated less on the break-up of the state monopoly than on the loss of advertising expected to be suffered by the press.

Most newspapers and magazines have a close identification, or affiliation, with a political party.

The state-run Israel Radio said the Cabinet agreed to compensate daily newspapers for loss of advertising, though it did not specify how this was to be done.

Some local radio stations are expected to be set up within a few weeks, but a shortage of start-up capital may delay the long-awaited launch of the second television channel.

Many Israelis now watch Jordan Television's English language broadcasts or the Christian missionary-financed Middle East Television, which broadcasts, under Israeli protection, from southern Lebanon.

● Israel's educational television channel plans to broadcast parts of the trial of John Demjanjuk, an alleged Nazi war criminal, to teach children about the Holocaust, AP reports from Tel Aviv. Demjanjuk is accused of killing tens of thousands of Jews in the Treblinka concentration camp in Poland.

WORLD TRADE NEWS

Hong Kong and EEC textile negotiations reach an impasse

BY OUR FOREIGN STAFF

CRUCIAL TALKS aimed at renewing a textile agreement between the EEC and Hong Kong were at a standstill yesterday following the British Colony's failure to respond to revised proposals on access to the 12 community markets.

Hong Kong, the fourth-largest supplier of textiles to the Community, has insisted on being allowed increased access beyond limits so far approved by EEC member states.

The talks opened a week ago in a third bid to renegotiate a bilateral textile agreement, but reached an impasse yesterday.

"Negotiations have become very difficult" an EEC official said yesterday. "Hong Kong wants the right to export quantities . . . we cannot cope with."

It was understood that Hong Kong's response was expected by today. The stumbling block appeared to be what quantities of Hong Kong's textiles individual EEC members were prepared to take and whether this would add up to a satisfactory overall adjustment in the Community quota.

Hong Kong is the only one of the four major textile suppliers to the Community that has not yet been able to renew its bilateral agreement.

Under the umbrella of the Multifibre Arrangement (MFA), the world textile trade agreement, Hong Kong shipped 106,175 tonnes of textiles to the EEC last year, representing a steady decline from 134,908 tonnes in 1979.

The top supplier was Turkey, with 154,505 tonnes, representing a progressive increase over the last decade because of its increased trade ties with the Community.

Oklahoma launches effort to promote investment

BY LARRY KLINGER

OKLAHOMA, the central US state hit by depressed energy and farm prices, yesterday launched in London a campaign to promote investment opportunities for British and other European companies seeking to expand in the US.

The 50-strong trade mission, with roughly equal representation between government agencies and private enterprise, is led by Governor George Nigh, the state's chief executive. He said on his arrival in London on Monday that the mission's aim was to ensure that as many people as possible in European industry were made aware of the possible benefits of investing in Oklahoma.

He emphasised the state's central location as a distribution centre, its skilled workforce, low-cost energy, low tax-base and vocational training system designed to meet employers' needs at no cost to them.

Turkish trucks detained

SOME 2,000 Turkish trucks have been detained at the Turkish-Iranian border, a spokesman for the Turkish International Transport Association said yesterday. He said that Turkish trucks were no longer being loaded with goods destined for Iran, writes David Barchard in Ankara.

The major international routes supplying Iran travel from Western Europe through Turkey and 230,000 Turkish trucks a year make journeys to Iran.

However, the Iranian parliament passed a law earlier this month obliging freight to be carried inside Iran by Iranian trucks only and border officials at Gurbulak and Sero, the two crossing points between Iran and Turkey, have been ordering Turkish trucks to stop there and unload their goods.

The Iranians are understood to be trying to save on the foreign currency cost involved in using Turkish freight.

Motorola chief sees no rise in chip prices

By Terry Dodsworth

MR JOHN MITCHELL, president of Motorola, the US electronics group, does not believe that the recent anti-dumping pledge given by Japanese semiconductor manufacturers to the US authorities will lead to any increase in the price of memory chips, the main product affected by the agreement.

"Our experience in anti-dumping cases of this kind is that prices stabilise for a time and then resume a downward path when the cost of production has caught up with the existing price," he says.

Mr Mitchell's remarks, made in London during a visit to Motorola's UK facilities, come at a time of great uncertainty over the direction of world semiconductor prices in the wake of the agreement with the Japanese.

Some buyers of Japanese chips in the US have complained that the deal has triggered price increases of up to 600 per cent for memory chips, leading to much higher US manufacturing costs.

These claims, however, were challenged recently by Mr Charles Sporck, president of National Semiconducter, the Californian electronics group, who said that he expected prices to rise only modestly.

Mr Mitchell says semiconductor prices have been kept down in the immediate wake of the agreement by the availability of cheap products from South Korea and other Far Eastern producers.

But when these supply lines begin to tighten up, he does not expect prices to start climbing. Japanese producers will simply hold prices rather than cuttinfg them further, he says.

Mr Mitchell adds that he sees great potential in the other aspect of the semiconductor agreement, which is aimed at increasing Japanese purchase of American products. Motorola, he says, sees its own business growing quite considerably as a result of the deal, which means a "major commitment on behalf of the Japanese Government and individual companies."

Canute James in Kingston on the Caribbean Basin Initiative

Trade preference scheme under fire

"THE CARIBBEAN Basin Initiative has brought no visible benefits to my country. It was a device by the United States to get money into El Salvador. For the Eastern Caribbean countries, the money which was provided was not enough for the bus fares of the average Barbadian family for three days."

Not many Caribbean leaders share the view of Mr Errol Barrow, Prime Minister of Barbados, about the White House's effort to reward friendly countries with trade preferences. But more are coming to the conclusion that the initiative, implemented just under three years ago, has not lived up to expectations.

The initiative allows countries designated by the US Government to ship a range of goods duty free to the US over 12 years. The countries were also offered $350m (£243m) in balance of payments support under the plan which was considered by the US Administration an important part of its Central American policy.

A recent report by a group of Caribbean economists, commissioned by the political leaders of the Caribbean Economic Community, concluded however that the CBI needs a major overhaul if it is really to benefit the region.

The CBI represented "a move in a positive direction," and provided" a base which could be improved," the report said, and there had been some increase in exports to the US of the products eligible for preferential treatment. But "a trend . . . has not been established, as the increases attained in 1984 were not maintained in 1985. Overall, exports have declined significantly since 1983."

Members of the Caribbean Economic Community (except the Bahamas) named as eligible for CBI preferences, achieved exports worth $903.7m last year, the report said, 1 per cent below the 1983 level. Overall exports to the US from the Caribbean region fell 23 per cent last year.

The economists identified as a major flaw in the programme the exclusion from preferential treatment of a range of items, several of which are considered by Caribbean countries as fundamental to any hope of dramatically increasing their exports to the US. These include textiles and garments, petroleum products, canned tuna and leather goods, including footwear and luggage.

US government, industry and trade union officials have expressed concern over possible injury to markets and jobs from a flood of cheap Caribbean imports, but some Caribbean leaders, such as Mr Edward Seaga, the Jamaican Prime Minister, argue that Caribbean capacity is too limited to present any real threat to US domestic production.

There is, however, a growing realisation in the US and the Caribbean that much of the problem of the CBI lies in overblown expectations by some Caribbean countries, which saw the scheme as offering economic salvation overnight, and by the fact that some intended beneficiaries are unable to make any use of it.

"In examining progress under this programme," Mr Clayton Yeutter, the US Trade Representative, said recently, "we have been, on the one

Errol Barrow: "A device by the US"

hand, encouraged, and on the other, sobered by the knowledge that there are no quick solutions."

Mr George Chambers, Prime Minister of Trinidad and Tobago, says the CBI "is implementable to the extent that you have adequate infrastructure. It was over-optimistic on the part of some countries to expect overnight transformation of their economies."

For the smaller countries, the problem was painfully illustrated by the decision of the US Commerce Department to increase access to the US market for garments assembled in CBI beneficiary countries from cloth made and parts cut in the US.

Mr George Mallet, Trade and Industry Minister of St Lucia, said the policy would assist only larger countries which have already established themselves as leading garment exporters. "Countries like Haiti, Jamaica and the Dominican Republic are OK in this regard, but we in the small islands are just beginning to develop our exports and seek investment."

Mr Seaga regards the CBI as a "window of opportunity" which must be used by the region, and not surprisingly, Jamaica is doing better than many others in taking advantage of it. Of the 141 new investments in Caribbean community countries accepted as being encouraged by the CBI up to last year, Jamaica had received half, with two-thirds of the 6,700 new jobs.

The report by the economists also identifies a new threat to the limited benefits of the CBI. "A general climate of protectionism has developed in the US," it observes, affecting regional expansion. Even the parakeet of St Lucia suffered when the US Department of Agriculture gave permission for a US company to export the birds but then withdrew it.

Besides suggesting that the committed categories be allowed CBI treatment, the Caribbean community report says the US Government should attempt to reverse the trend towards protectionism, and remove the 12-year time limit on the programme.

But the region appears aware that these suggestions are likely to fall on deaf ears. Previous efforts to strengthen the CBI, the report says, ". . . several of which have been made by the US Administration, have met with resistance from several interest groups in the US."

Egypt in pacts to upgrade historic hotels

BY OUR CAIRO CORRESPONDENT

EGYPT HAS signed agreements with a number of foreign companies to upgrade some of its most famous hotels, including Shepherd's in Cairo and the Cataract at Aswan in Upper Egypt.

The agreements reflect the determination of Dr Fouad Sultan, the new Tourism Minister, to improve standards at government-owned hotels.

A Danish-owned management company has been awarded a contract to revamp Shepherd's and also Alexandria's Palestine Hotel. It plans to spend $12m (£8.1m) on the two hotels.

Under the terms of the management agreement, the Scandinavian Management Company will share profits with Egypt after the fourth year of operation. Meanwhile, it will pay a rental fee for operating these two historic hotels.

The Egyptian Hotels Company, which operates most of the country's famous hostelries, has been losing money for years.

Mr Baheiddin Nasr, newly-appointed chairman, said the company was having difficulty servicing loans amounting to some E£27m (£13.5m) to the National Investment Bank.

"We want the private sector whether foreign or Egyptian to manage all the hotels," Mr Nasr said. Many of Egypt's old hotels came under the Government's control following the 1950s nationalisation policies of President Gamal Abdel Nasser.

A contract for upgrading the Cataract Hotel has been awarded to the French Etap group which will invest about $4m on renovations and will also assume management responsibilities.

Club Mediterranean has signed a 20-year lease on the Amon Hotel in Aswan. The French leisure group plans to spend $3m. It has other establishments in Egypt — in Cairo, Luxor in Upper Egypt, and Hurghada on the Re dSea.

Egypt's tourism minister has been concerned about low occupany rates at hotels under the control of the Egyptian Hotels Company.

French win Indian power contract

INDIA'S Power Department has selected Alsthom, the state-owned French engineering concern to build a 390-MW hydro-electricity project in India on turnkey basis at a cost of Rs 6bn (£333m). Reuter reports from New Delhi.

The French Government has offered a package of mixed credits worth Rs 4.7bn to finance the Dulhasti project in northern Jammu and Kashmir state.

The deal was won against competition from Austria. It is scheduled to be completed within five years from the date of signing the contract next month.

The deal has been under negotiation for seven years.

South Koreans to build Sharjah steel pipe plant

SOUTH KOREA'S Hyundai Corporation will build a steel pipe plant in the emirate of Sharjah, Reuter reports from Abu Dhabi.

The dirham 65m (£12.3m) electrical resistance welding plant, the third of its kind in the Gulf, will have a 72,000-tonne annual capacity, Mr Pyung Kyoo Lim, a Hyundai vice-president, said.

Negotiations were under way with the Bahrain-based Arab Banking Corporation to finance the project, while other banks have shown interest in contributing, he said.

Hyundai teamed up with the Sharjah Economic Development Corporation (Shedco) to form the Sharjah Pipe Manufacturing Company which will set up the project. It will have paid-up capital of dirhams 22m to be 60 per cent owned by Shedco and 40 per cent by Hyundai.

Construction of the plant in the al-Sajaa area, 25 km from Sharjah, will start in November and will be completed in 18 months, Mr Lim said.

A similar plant in Saudi Arabia has a capacity of 70,000 tonnes a year and one in Kuwait has a capacity of 20,000 tonnes a year.

Shipbuilding industry sees 30% fall in new orders

THE WORLD shipbuilding industry saw new orders fall 29.6 per cent in the first half of this year compared with the first six months of 1985, according to the Organisation for Economic Co-operation and Development, Reuter reports from Paris.

Figures from an OECD shipbuilding working party, grouping 14 countries and the European Commission, showed European countries suffering a sharp year-on-year decline in shipbuilding, with orders received this year falling 69 per cent to 422 vessels, compared with 1,355 in the same 1985 period.

Japan, the biggest single builder of the 13 countries cited in the report, saw its 1986 orders fall 14 per cent to 3,001 vessels against 3,508 from January to June last year.

The world total of new orders for the countries belonging to the group dropped to 3,422 ships against 4,858 in 1985.

Worst drops in Western Europe were West Germany, with 68 new orders against 395 in the first half of 1985, France with 56 new orders against a previous 146, Italy with 18 against 268, and Britain with 45 against 279.

Fay Gjester in Oslo writes: Norway's ship owners are claiming discrimination against Norwegian offshore supply vessels in the UK sector of the North Sea.

They also have urged the Oslo Government to raise the issue of discrimination with Britain, and want Whitehall to revoke an Energy Department directive which requires oil companies in the US sector to give specially favourable treatment to British supply vessels.

Egypt allocates cash for Sinai coal mine

By Tony Walker in Cairo

EGYPT has allocated E£51m (£25.6m) for its Maghara coal mine in the Sinai, clearing the way for a part British-funded redevelopment of the mine destroyed in the 1967 war with Israel.

Babcock Contractors of the UK won a contract to oversee the $100m reconstruction of the mine. The UK is providing a mixed package of credits and grants worth some £40m.

Final go-ahead for the Maghara projcet depends on the discovery of water in sufficient quantities at the site, 120 km south-west of El Arish in the northern Sinai, to support a large-scale mining operation.

Egypt is establishing a special authority to operate the mine which is expected to produce about 600,000 tonnes of sub-bituminous coal annually for use in the steel industry.

HK terminal contract award

HONGKONG International Terminals, a subsidiary of Hutchison Whampoa, has awarded a HK$ 591m (£51m) civil works contract for a container terminal in the New Territories of Hong Kong to a Japanese joint venture headed by Kumagai Gumi, Reuter reports from Hong Kong.

Work, including reclaiming of 29 hectares of land, will start on October 1 and is expected to be completed by late 1989.

Other partners in the joint venture include Mitsui and Ham International Dredging Contractors, a subsidiary of the Dutch Hollandsche Aanneming Matschappij.

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Price Waterhouse

TECHNOLOGY

Driving towards car equipment sales bonanza

UK traffic guidance network has strong market potential, reports John Griffiths

DURING the development of Autoguide, the traffic guidance system unveiled by Britain's Transport Secretary, Mr John Moore, last week, a London banker was asked over dinner by a Department official how much he would be prepared to pay for a system which guided him unerringly to any chosen destination.

"Oh," said the banker, "about £2,000."

"Why?" said the astonished Department scientist who had asked the first question, and who had hoped at best for an answer of one-tenth that amount.

"Well," observed the banker, recalling map-rustling disputes in side-streets and lay-bys, "I consider my marriage worth at least that . . ."

Mr Moore made no mention of Autoguide's potential marital benefits in presenting the Department's discussion document on the system, which it is hoped could be guiding at least 400,000 drivers around London by the early to mid-1990s.

What he did emphasise was that here was a system, still facing a lot of legislative hurdles, which had already undergone much development by the Transport and Road Research Laboratory (TRRL) and which, if taken up by the private sector, could lead to the emergence of important equipment markets, not just in the UK but potentially around the world.

The TRRL's working prototype is no more than an indicator of the potential of such systems, and as Mr Moore stressed, much more discussion and research would be required, not least with other countries, before a development path might be found leading to the creation of a relatively standardised international equipment market.

However, this is how the TRRL system would work, applied initially to London.

A network of beacons—electronic signposts—would be sited at the approaches of all major junctions to send and receive information to and from passing vehicles. The beacons would be connected over telephone lines to a control centre in which a central computer would monitor continuously traffic conditions and constantly update information held by the signposts.

In the vehicle would be a route computer comprising a calculator-style key pad and display, a microcomputer, a receiver/transmitter and a means of conveying guidance information to the driver, either through data display, speech synthesis, or maybe a combination of both.

At the start of a journey, or at any time during it, the driver enters the destination on the key pad and as the vehicle approaches each beacon, the driver is given the appropriate junction direction.

One particular benefit of Autoguide is seen as being adaptability to differing requirements. For example, truck operators are likely to want the cheapest route (avoiding fuel-consuming steep gradients for example); a car driver in a hurry might want the fastest, most traffic-free route even if it is a few miles longer, while an elderly driver in his treasured Morris Minor might simply opt for the shortest route.

The in-vehicle set can also be designed to relay to the driver messages on speed limits, weather, accidents, roadworks and so on.

What it does not do is transmit a vehicle identifier other than that it is a car or truck—thus there are no "Big Brother" surveillance implications, the Department stresses.

The roadside unit comprises a receiver/transmitter, microcomputer, control centre connection and a memory unit containing the signpost information, which essentially is a detailed list of place names.

The demonstration system links the route computer and the beacon through small aerials fitted beneath vehicles and inductive loops buried in the road surface.

As well as carrying information, the loops can also detect and count all vehicles, irrespective of whether they are fitted with Autoguide. Thus, for example, if the time for vehicles passing between beacons starts to lengthen, indicating congestion, the system will automatically think up alternative routes and start directing drivers accordingly—though under no circumstances, its proponents stress, down residential backstreets.

The control centres' computer collects data from the roadside units and continually updates a database recording traffic conditions throughout the network by time of day and day of week. This data, with the latest updates of traffic accidents and other incidents, is used to calculate the signposts for each beacon, with new ones transmitted at frequent intervals.

If a driver still makes a wrong turn at a junction, he will be set back on course at the next one.

The TRRL's estimate is that a system to cope with traffic contained in the area surrounded by London's M25 orbital motorway—in which 10m passenger journeys are made daily by car and 3m by commercial vehicle—would cost £15m-£20m, with £2-£3m in annual running costs.

Infrastructure equipment manufacturers would recoup their investment through Autoguide user subscriptions. In-car equipments manufacturers would profit through after-market or original equipment sales to vehicle makers.

At the TRRL's estimated cost of around £150 a unit, the conservatively estimated 400,000 potential subscribers to a London system alone would generate £60m in in-car equipment sales.

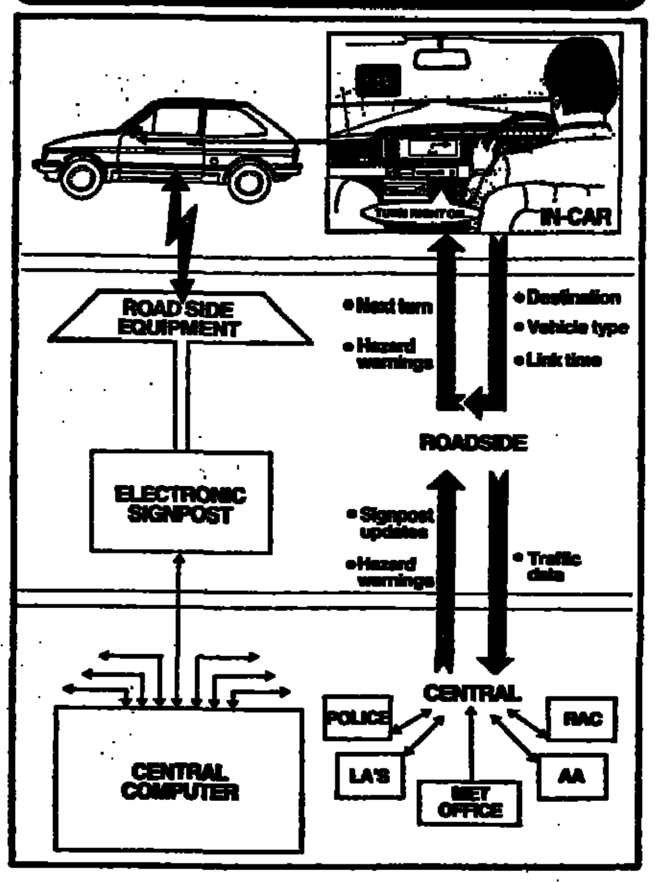
But the Department and TRRL believe Autoguide has infinitely more commercial potential.

A number of other countries are carrying out work on route guidance systems, notably West Germany with its All-Scout system currently on trial in Berlin. This combines a beacon-based system with on-board dead reckoning equipment.

Nevertheless, the Department and TRRL believe Autoguide is a front-runner in terms of its technological and cost capabilities.

A major next step will therefore be to seek closer collaboration within Europe on sharing research and development, and hopefully coming up with the appropriate common standards for any final system which might evolve.

AUTOGUIDE



Rank Xerox launches low-cost system for personal publishing

BY GEOFFREY CHARLISH

IN SPITE of the trend of the last two decades for business people to absorb information from screens, paper still has a big future according to Rank Xerox, the UK associate of Xerox Corporation, the US electronics group. It believes companies are spending as much as 10 per cent of turnover publishing paper reports, manuals, newsletters and other documents.

Electronic publishing has therefore been evolving over the last year or two, in which the expensive and time consuming conventional printing and publication processes are by-passed using sophisticated screens, keyboard terminals and laser printers.

Rank Xerox's latest contribution in this area is a stand-alone desk-top system called Documenter, with hardware costs as low as £7,500 and minimum software at £700.

There are distinct advantages over conventional methods. Apart from the fact that the author is in complete control of the whole process from writing to printing, electronic publishing is able to reduce the cost per copy and the skill levels needed, increase the productivity of the publishing process, reduce the time to press and allow printing on demand.

Documenter's three strengths are the clarity of the page images on the 19 inch screen, the sophistication of the software and the fact that IBM personal computer (PC) software can be run in a separate "window" with results incorporated into the publishing routines.

The IBM compatibility is a good marketing ploy by Xerox since there are some 4m IBM PCs or compatible machines in use. Within a Documenter workstation, the user can execute IBM PC programs and publishing activity at the same time and can move information between the two windows on the screen. Moreover, with a Xerox local area network, the material can be captured from other IBM PCs or compatibles and if necessary, more distant remote access over public telephone lines is feasible.

Xerox, which originated windows, mice (touch-screen drawing devices) and icons in the 1970s, has enhanced them further on Documenter, making them an integral part of the design process. A window is a rectangular box on the screen in which a specific piece of work can be carried out while the rest of the screen is used for something else. Icons are tiny pictorial representations, usually round the edge of the screens, which can be chosen by the user with an on-screen cursor, the position of which is controlled by the corresponding position of a desk top "mouse." Choosing an icon results in the corresponding software function becoming available to the user.

In this way, text previously composed using word processing software can be combined on-screen with graphics that can be selected from an internal library, drawn freehand by mouse, or derived automatically from tabular data already drawn up and kept in store. The text can appear in numerous type-faces in sizes from six to 36 points (some ⅛ to ½ an inch) and character sets cover 20 languages, with options for Chinese and Japanese.

The key to better timber

HAND-HELD computers continue to find novel uses. For example, in the Ozark-St Francis national forest in the US, lumberjacks are using British-made Husky units to record data about trees that are to be felled.

Three men in a team mark and code tree data and a fourth keys it into the Husky. At the end of the working day the data is transferred into an office-based computer to relate it to sales and other data. The marking and recording task has been reduced from days to hours says Husky Computers. The company is in Coventry on 0203 668181.

Danes tie together computing loose ends

BY HILARY BARNES IN COPENHAGEN

THE problem of communication between computers made by different manufacturers is one of the nightmares of the computer business, "a cancer on the industry," as Bent Henrik Madsen, director of a small Danish company, Dataco, puts it, adding modestly: "We have the solution to this cancer problem."

Dataco, just 20 months old, was founded by a management team which hired "the brains-trust" from Christian Rovsing, the Danish computer engineering company that closed in 1984 because its advanced technology was not supported by equally strong financial management (Rovsing was subsequently re-established under the same name, with capital from ITT, the US electronics and telecommunications group).

The ex-Rovsing engineers, besides being very good themselves, knew where all the top Danish talent was located and they were able to bring together a team of 20 of the country's best computer engineers.

Dataco has now brought to market a system which is able to link equipment from IBM, the world's largest computer company, with machines from a wide variety of other manufacturers, both European and North American.

This means that in a network system using more than one mainframe computer from different manufacturers, and terminals from different manufacturers, the machines can connect with each other. Terminals from Digital, for example, can connect with an IBM mainframe, and IBM terminals and personal computers (PCs) can connect with a Digital mainframe.

The Dataco solution can be particularly important to European companies trying to sell their computers in the US, where inability to communicate with North American machines is a major obstacle for companies such as Siemens, ICL and Norsk Data.

The Danish system, named Unilan (for local area network) and UniWan (for wide area network) has been designed to meet the Open System Interconnection recommendations laid down by the International Standards Organisation. It also meets the criteria laid down in General Motors' MAP (Manufacturers Automation Protocol), so that although designed with office networks in mind, it can also be used for CAD/CAM (computer aided design and manufacturing) and robot operations.

Three pieces of equipment are necessary to make the system work, and Dataco has designed and produced each of them. They are a transceiver, which links the computers into the trunk line cable; terminal servers, a box about the size of a phone directory which links the terminals to the network; and communications servers, which link the mainframes to the network.

Using a trunk line network design system, UniLan can according to Dataco, link several hundred PCs and several thousand terminals before a capacity problem arises. At that point, UniLan bridges and network servers can expand the capacity of the system.

Interconnectivity solutions are, of course, being worked on by other companies, but mainly, says Dataco, by computer manufacturers. Dataco claims to be the only European company which is independent of computer vending to have developed such a system. "The connectivity is greater than any of the competition we know about," says managing director Michael Mathiesen.

After a start-up period, sales this year are expected to be about Dkr 20m ($2.6m) but are expected to increase to around Dkr 70m in 1987 and Dkr 200m in 1988.

The management team at Dataco put up the starting capital, and has since raised money by bank loans.

The company is in the process of making a private equity placement for shares with a face value of about DKr 22m. Investors, mostly Danes, are making it a condition that a public flotation is made within four years.

APPOINTMENTS

Vickers finance director

VICKERS has agreed to the request by Mr Tom Neville to retire early as finance director at the conclusion of the annual meeting on April 23 1987. Mr Roger Head, staff director, business appraisal, will be appointed to succeed Mr Neville. Mr Head joined Vickers in 1977 as group financial manager, engineering group. In 1979 he was appointed financial and subsequently commercial director, design and projects division, and in 1983 became finance director, engineering products group. In his present post he is responsible for reviewing acquisition and divestment decisions; appraising major capital investment, and tender proposals; and reviewing corporate operational performances.

★

Mr Donald J. Kelly has been appointed sales director of ENTEX SPRINGS, Nottingham, part of the Senior Engineering Group. Mr Kelly joins from Parker Hannifin (UK) where he was UK industrial sales manager.

★

THE INSTITUTION OF LIGHTING ENGINEERS has elected Mr Stanley Cairns as president.

★

NORCROS has made the following appointments: Mr Roger Feavieur becomes director—distribution operations, he was appointed chairman of Norcros Distribution last March. Mr John Redwood joins Mr Julian Sheffield as a joint deputy chairman. Mr Redwood, who was appointed to the board as a non-executive director in 1985 also becomes chairman of the Norcros finance and general purposes committee, he is a director of N. M. Rothschild & Sons and until recently headed the Policy Unit at 10 Downing St. Mr Martin Bunting and Mr Anthony Elliott are appointed non-executive directors, Mr Bunting who is a member of the Monopolies and Mergers Commission also becomes chairman of the Norcros audit committee, Mr Elliott, who is a director of S. G. Warburg & Co, also becomes chairman of Norcros pensions committee.

★

Mr Colin R. Engeham is joining the HARRIS & DIXON INSURANCE BROKING GROUP on October 1 to become deputy chairman in the specialist reinsurance broking company that is being formed by Harris & Dixon. Mr Engeham was previously deputy chairman of Golding Stewart Wrightson.

★

D. J. HIGGINS & SONS has made a number of changes: Mr D. J. Higgins, chairman, is to relinquish the duties of managing director in favour of Mr R. G. Higgins; Mr C Webster joins as a non-executive director; Mr T. E. Love has resigned.

★

Mr Larry Anderson becomes chief executive of INTERNATIONAL DRILLING FLUIDS on October 1. IDF is a subsidiary of English China Clays. He succeeds Mr Charles MacDonald who is retiring.

★

Mr Paul Bosonnet has been appointed as a Government director to the board of BRITISH TELECOMMUNICATIONS from October 1 for two years. He has been a non-executive director of BT since June 23 1986, and replaces Mr Graeme Odgers who becomes deputy chairman on October 1. Mr Bosonnet is deputy chairman of The BOC Group and is also a non-executive director of Logica.

★

Mr Peter Smalley has been appointed technical director of RACAL-TRANSCOM. He was technical manager of Racal-Comsec, where he was responsible for leading the development of a wide range of secure terminals and other data products.

★

EQUITY AND LAW LIFE ASSURANCE SOCIETY has made the following appointments from October 1: Mr Chris Brocksom becomes general manager. He succeeds Mr Michael Burns, who also retires from the board

Mr Chris Brocksom, new general manager at Equity & Law

on his retirement as general manager. Mr Brocksom joined Equity and Law in 1960 and was the Society's chief actuary from 1977-85. He has been a director since 1982. Mr Colin Wood is appointed deputy general manager. Mr Duncan Kerr, the Society's chief actuary, joins the board.

★

Mr T. J. G. Bowen has been appointed group treasurer of GROSVENOR SQUARE PROPERTIES GROUP. Mr Bowen was previously finance director of Ariel International BV and finance director and company secretary of Chesterfield Properties.

★

Mr Barry Hannington has been appointed to the joint management board of ROSS FOODS and YOUNG'S SEAFOODS in the newly created post of purchasing director. He has been a director of Ross Foods for many years and is currently manufacturing controller for Ross/Young's vegetable operations.

★

Mr Michael Gribbin is appointed managing director of Lloyd's broker JARDINE GLANVILL from October 1. He became development director in 1985 at the group's head office before transferring to Jardine Glanvill in December 1985.

★

BASS has appointed Mr D. G. Ians to the board as financial director from October 1. He is currently director of finance.

★

IND COOPE FRIARY MEUX, the Allied Lyons Brewery company, has promoted Mr Mike Pratt to tenanted house director. His position as managed house director has been filled by the appointment of Mr Alistair McLaren.

★

Mr J. R. Lake has been appointed to the board of BILLITON UK. He was group financial controller.

★

Mr S. G. Crooks has been appointed a director of FOCOM SYSTEMS (a Pirelli UK subsidiary) and will become chairman in succession to Mr J. C. Duckworth who has retired. Mr Crooks is a director and general manager of Pirelli Societe Generale and is responsible for the worldwide cable operations of the Pirelli Group.

★

Mr Philip Duncan has been appointed director of LONDON FINANCIAL GROUP, with responsibility for the group's corporate finance activities. He remains on the board of London Leasing Company, a group company. London Financial Group is the main operating company for a group of financial service companies which include London Leasing Company, and Capital and Northern Leasing, which is incorporated in Northern Ireland.

★

ROCHE PRODUCTS has appointed Mr W. M. Burns as pharmaceutical sales and marketing director.

★

MOTORWAY TYRES AND ACCESSORIES, part of the Avon Rubber Group, has appointed Mr Charles Hespin as managing director. He replaces Mr Donald Gibson who is retiring, although remaining as non-executive chairman. Mr Hespin has spent his working life in the tyre industry. He joined Motorway in 1984, and was responsible for the South West and Midlands areas, Tyrebatt and Motorway Tyres and Wheels.

★

Mr Peter E. G. Bates has been elected chairman of BRITISH DEFENCE MARKET INTELLIGENCE, Southampton. Until his recent retirement, Mr Bates was deputy chairman of Plessey Electronic Systems. He is a member of the British Overseas Trade Board and a director of General Technology Systems.

Mr Roger Head, to be finance director of Vickers

★

MORGAN GRENFELL has appointed Mr Nicholas Bull, Mr Jeremy Lucas and Mr Richard Strang to the board. Mr Bull is joint deputy managing director of Morgan Grenfell Australia.

★

Mr Norman Smith has been appointed deputy chairman of THE ORION INSURANCE CO with the intention that he should succeed as chairman Sir Antony Part who will retire in June 1987. Mr Smith has been a director of Orion since July 1975.

★

RUGBY PORTLAND CEMENT has appointed Mr C. P. Jackson to the board. He is chief executive of the UK cement division.

★

Ms Caroline Cecil, senior accounts supervisor at VALIN POLLEN has been appointed an associate director.

★

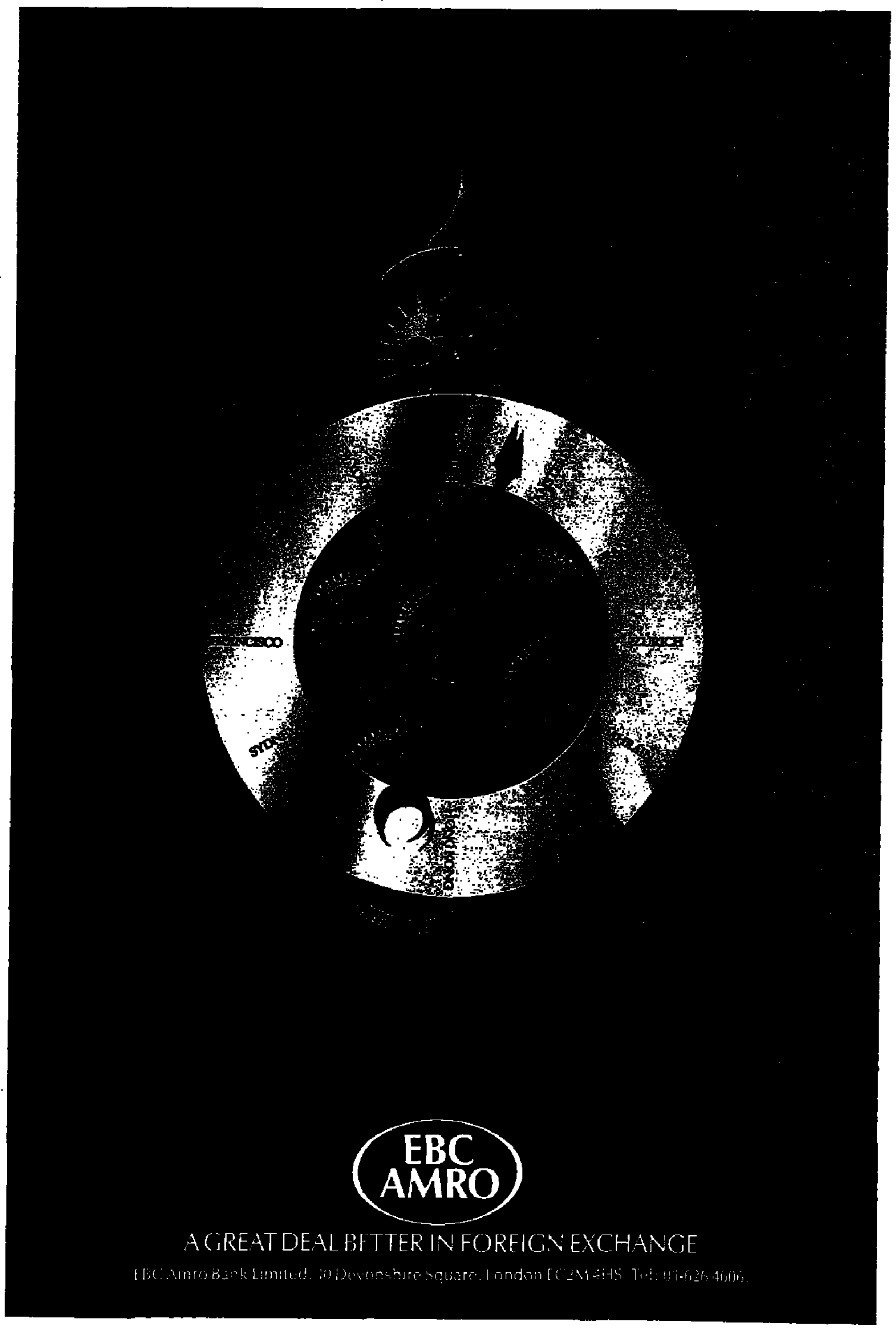
Mr Ian Reynolds has joined TILLINGHAST from Royal Insurance Group where he was group strategic planning manager. Mr Terry Clarke comes to Tillinghast after 26 years with the Norwich Union Group and associated companies. He was actuary and chief manager (Services).

★

Mr Bernard Tailhades, general manager and chief executive of CREDIT DU NORD, London branch, has promoted Mr Michael Barr, formerly treasury manager, to assistant general manager.

★

Following the recent re-structuring of the frozen and consolidated distribution operations within the Hays Group, HAYS DISTRIBUTION SERVICES has appointed Mr Peter Covington as managing director of FARMHOUSE FRIGOSCANDIA DISTRIBUTION. Jointly owned by H.D.S. and Aga Frigoscandia, FFD provides frozen warehousing and distribution service. Mr Covington was general manager of the Crewe depot.



CONTRACTS

Cable network for London boroughs

The GENERAL ELECTRIC CO has signed a contract with East London Telecommunications for the design, supply and installation of a complete wideband cable network in the boroughs of Tower Hamlets and Newham. The contract is potentially worth £25m. The work will be carried out by GEC Cable Systems, a division of GEC Telecommunications. The franchise area, for which East London Telecommunications has recently gained its licence, serves an estimated 145,000 households and includes the London Dockland Enterprise Zone. The network will be built as a switched-star system. The switches are designed and manufactured by GEC Telecommunications at its plants in Coventry and Treforest (South Wales). It will not only provide a choice of video and TV entertainment and the FM radio band, but also allow for a wide range of interactive services. This may include home banking, shopping, security and alarm systems, but the actual choice is dictated by market needs. Additional facilities including voice and data communication will be provided in conjunction with Mercury Communications.

★

WILCON CONSTRUCTION has been awarded contracts worth £3.5m. The London office has signed two contracts worth over £2.3m. The first, at £1.2m, is to construct 48 sheltered houses at High Street, Egham, for Leamington Spa-based Jephson Housing Association. Built in five separate blocks of either two or three-storeys they are due for completion in July. In a contract negotiated with Cala Homes (Southern) Wilcon is building 22 traditionally constructed four and five bedroomed houses at Manor Park Drive, Nine Mile Ride, Wokingham. Work is scheduled for completion in July.

The Swindon office has been awarded two contracts worth nearly £1.15m. In a £645,000 contract negotiated with Viritech Wilcon is to design and build a 21,000 sq ft reinforced concrete radiation beam cell, control room and office facility at Thornhill Industrial Estate, South Marston, Swindon. On the Kingsland Trading Estate in Bristol the company is constructing 23,500 sq ft of industrial units including internal offices for Wadehourst Properties of Evesham. Work on the £504,000 project, which is short-term funded by Wilcon, has already started with completion scheduled for February.

★

OFFSHORE MARINE ENGINEERING, Aldridge, West Midlands, has won an £800,000 order for its Phoenix totally-enclosed, motor-propelled survival craft from Marathon Oil UK. The 14 lifeboats, each with a capacity of 66 people, will be installed on the new North Sea Brae 'B' condensate platform currently under construction. These lifeboats will self-right even if fully flooded, and hatches are clear of the water for the occupants to escape.

★

Lee Valley Water Company has placed an order for a computerised mapping system that will locate on a monitor screen the smallest piece of pipeline anywhere in the company's 860 sq mile area of supply. The order, worth £500,000, has been placed with a Norwegian-based company, SYSSCAN.

★

HEWGATE CONSTRUCTION GROUP, Aylesbury, has contracts worth over £3.5m. In Aylesbury, a 15,500 sq ft factory and office building is under construction for Joseph Parkins. Other work includes a tyre distribution warehouse for Associated Tyre Services; for Cavalier Services a two-storey office factory and warehouse headquarters is under construction at Cherrycourt Way, Leighton Buzzard; and in Milton Keynes, a 25,000 sq ft factory, warehouse and office building BlowMocan.

★

DAVY MORRIS has landed its biggest export order for 10 years—over £15m worth of cranes for Mexican steel manufacturers Sicartsa. The 47 crane order includes four 60-ton slab-handling cranes, one 150/40-ton and one 300/40-ton crane. They will be used in a new plate-manufacturing plant at Lazara Cardenas near Acapulco—part of the Mexican Government's drive to reduce its reliance on steel plate imports. The contract was originally awarded back in March 1982 but was then frozen because of Mexico's economic problems.

★

The AE Group's specialist ferrous foundry, HEPWORTH & GRANDAGE (BRADFORD FOUNDRY) has secured a contract, worth £4m over the next few years, from JCB Transmissions. The contract covers the supply of SG iron centre castings for JCB's excavators and OEM customers.

★

A contract worth well in excess of £100,000 for the supply of air handling units for the 15,370 sq metres £25m luxury Ramada Renaissance Hotel, now under construction in Brighton, has been won by FM-LUFT of Edmonton, London. A total of 31 air handling units in various sizes and configurations is being supplied from the BA 2000 system to form the heart of the air conditioning systems for the hotel's administration offices, kitchens and public areas.

★

QUADSTAR SYSTEMS, a subsidiary of Bowford Engineering Services, has been awarded a £95,000 contract by British Nuclear Fuels for the development of a computerised welded pipe-work monitoring system, designed specifically for the £1,650m thermal oxide reprocessing plant at Sellafield.

★

DRUCK HOLDINGS has been awarded a contract worth over £300,000 from British Aerospace for the supply of equipment associated with the Tornado aircraft. The contract is for the supply of air data test systems for use by overseas customers for the Tornado. The particular equipment being supplied enables the aircraft cockpit instrumentation for altitude and airspeed parameters to be calibrated by one man in the pilot's seat. By means of a small hand held remote control terminal the main trolley mounted system is instructed to provide the desired pressures and vacuums.

North London Crown Court

JOHN LAING CONSTRUCTION has started work on a new Crown Court complex in North London under an £8.7m contract awarded by the Property Services Agency. The 10-court centre will be sited next to an existing court building in Lordship Lane, Wood Green. It will have a reinforced concrete frame with lead-covered sheet steel cladding and an artificial slate roof. The seven-storey building — with basement — will be air conditioned with plant rooms at two levels. Completion is due in summer 1989 with a 143-week contract period.

★

SULZER BROS (UK) has been awarded a £200,000 order by Aramco of Saudi Arabia to supply equipment to test overhauled gas turbine engines which power pumps and generators mainly for the trans-Saudi Arabian (East-West) oil pipe line. The equipment to be supplied includes a test stand with engine adaptors, control instrumentation, cabling and harnesses intake bellmouths and test exhaust pipes. Delivery to Dhahran is scheduled for early 1987.

★

OAKWOOD GROUP, via its civil and electrical engineering subsidiary Clough Smith, has been awarded a contract valued at some £700,000 by the South Eastern Electricity Board for the reconstruction of 10 km of high voltage transmission line between Sellindge and Etchinghill, Kent.

★

WEIR GROUP MANAGEMENT SYSTEMS has been awarded a contract worth about £500,000 by Hewden-Stuart Plant to design software and install computers in three of the group's accounting centres. The first installation—based on Data General's MV32-bit Eclipse processor — is being commissioned in Glasgow, and it is anticipated that parallel systems will be installed at Castleford (Yorkshire) and Ashford (Kent). The three-year deal is designed to streamline the group's accounting practices and to generate additional information for use by the group's management in the field.

★

METRO-FLEX has won an order worth £350,000 to supply eight hydraulically controlled, double flap, turbine exhaust gas isolators for the combined-cycle power plant at the Thrace power station, Turkey. The isolators are to be installed between each of the four Typ 13 BBC gas turbines and the waste heat recovery boilers, supplied by CMI of Belgium, and in each of the four by-pass blast stacks.

★

FLETCHER SUTCLIFFE WILD, a member of Dobson Park Industries, has received two export orders from Canada and New Zealand for underground coal mining equipment worth over £750,000. The first contract is for 36,000 ft of conveyor structure at the Development Corporation's (DEVCO) new Phalen Mine at Lingan, Cape Breton, Canada. The second contract is for armoured face conveyors (AFCs) with 90 kw drive units, ordered by New Zealand State Coal Mines for its Huntley Mines at Hamilton, near Auckland, on the North Island.

★

JCB has awarded a £1m computer hardware and software contract to HONEYWELL INFORMATION SYSTEMS. The contract comprises a Honeywell DPS7/627 mainframe computer, the GCOS-7 operating system, the IQS relational information system and the option to evaluate DPS7 software including Sindia, STA-7, Themis, LIS and Mistral. During the next 2½ years JCB and Honeywell will use the modules within HMS (Honeywell Manufacturing System) and JCB's existing systems to develop a completely new and bespoke manufacturing system.

★

LOCKHART CATERING EQUIPMENT has won a £750,000 order to supply the 53 state apartments, kitchen and serving areas and banqueting hall at the Islamic Palace of Conferences in Kuwait, venue for the heads of state Islamic Conference scheduled for 1987. Shipping of the equipment will commence in October 1986 and will occupy up to 12 40 ft ISO sea containers.

★

The Mersey Docks and Harbour Co has awarded a three-year contract to CRANE ERECTION AND SERVICES, a business unit of NEI Clarke Chapman to maintain all the mobile plants and six gantry cranes at the Royal Seaforth Container Terminal as well as the quayside cranes in the port of Liverpool.

Lawson admits trading position will deteriorate

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN WASHINGTON

BRITAIN'S underlying inflation rate should remain stable at about 3¾ per cent over coming months, while economic growth is picking up and should be stronger in 1987 than 1986, Mr Nigel Lawson, the Chancellor of the Exchequer, said yesterday.

In his address to the annual meeting of the International Monetary Fund, Mr Lawson acknowledged, however, that the sharp fall in the oil price would result in at least a temporary deterioration of Britain's trade position.

The Chancellor also appeared to signal that the 3¾ per cent inflation figure (which excludes the impact on prices of changes in the mortgage rate) may rise next year.

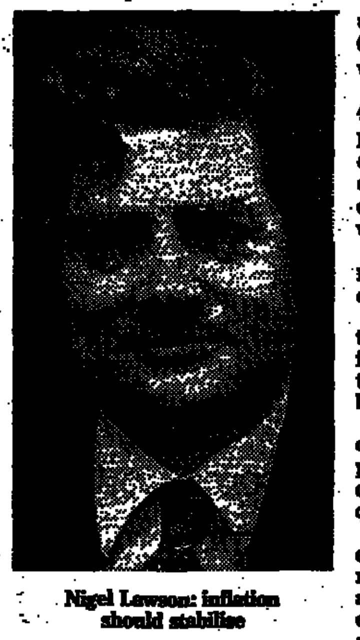
"In common with other countries, we have to accept that the sharp fall in the oil price and most other commodity prices means that the underlying rate of inflation is not quite as low as that currently recorded," Mr Lawson said.

Turning to the trade position, the Chancellor said that fall in the oil price had halved the North Sea's sizeable contributions to Britain's export earnings. The substantial fall in the exchange rate this year would encourage faster growth in non-oil exports. But "it will take time to have its full effect on the current account," he said.

In a review of the pace of Britain's output growth over the last few years, Mr Lawson highlighted the profound changes in the pattern of the economy, in particular the shift towards faster growth in the oil and services sector than in manufacturing.

Even within manufacturing, however, performance had been far from uniform. In some industries output was still below the pre-recession peak of 1979, but in other sectors such as chemicals, food and engineering, output was well above the pre-recession level.

At a press conference before his speech, Mr Lawson conteded, however, that Britain's economy was being outperformed by the US, Japan and West Germany. "I cannot remember a time when it was not... but the important thing is that the gap is closing," he said.



Nigel Lawson: inflation should stabilise

Richard Evans writes: Increases in basic salary for board directors in the UK are continuing to rise by about 10 per cent a year according to the latest top management remuneration survey conducted by Charterhouse, the financial services group.

The study, based on surveys of 4,500 board and senior management posts in over 500 companies and on annual reports of more than 1,200 companies, indicates that the rate of inflation is of little relevance when determining top salaries.

Instead, it is national and international competition that is the deciding factor on pay levels.

The main contrary influences are the fear of an unfavourable reaction from less fortunate employers, and the prospect of an end to the profits buoyancy.

While a typical board director received a rise of 10.2 per cent in the period to August, 1986, a quarter received 7.1 per cent or less and a quarter 16.7 per cent or more.

Base salaries for senior managers who report directly to board directors were more moderate and averaged 8.3 per cent. But the typical chairman or chief executive had an increase in total earnings (base salary, bonus and taxable benefits) of 11.6 per cent in the last financial year.

Underlying all these figures is the growth in the impact of profit related cash bonus schemes which have only been widely adopted in larger UK companies since 1980.

The study concludes that most UK company directors and senior management now expect their rewards to be linked to company and personal performance.

There has been a substantial rise in tax efficient executive option schemes from 34 per cent to 61 per cent of all companies. This has been accompanied by a growth in Save As You Earn schemes

Heffer's defeat blow to the left

By Philip Bassett

LABOUR'S right wing yesterday took a tighter grip on the party's ruling national executive committee when two leading left-wingers, Mr Eric Heffer and Mrs Margaret Beckett, were defeated in the annual NEC elections.

The results, in which several other left-wing NEC representatives saw substantial reductions in their share of the votes cast, came less than 24 hours after the conference supported the expulsions of eight members of the Trotskyist Militant Tendency.

Together, the moves represent a further significant consolidation of Mr Neil Kinnock's increasing dominance of party affairs and confirmation that the influence of the party's left wing continues to decline.

Mr Heffer, the MP for Liverpool Walton, who had served on the NEC for 11 years, is replaced by Mr Tam Dalyell, whose appointment is seen as a reward for his persistent criticism of Mrs Thatcher

The removal of Mr Heffer from the 29-strong NEC is the culmination of the deterioration in his relationship with the Labour leader. At last year's annual conference he walked out during Mr Kinnock's attack on the Liverpool members

Mrs Beckett, the Transport and General-Union sponsored MP for Derby South and one of the party's leading left-wingers, is replaced on the NEC by Ms Diana Jeuda, a Kinnock supporter who becomes the first woman trade union official to be elected to the NEC.

Fervent Kinnock says defence stance will aid Labour's return

BY IVOR OWEN

Labour Party conference in Blackpool

LABOUR'S clear-cut commitment to a non-nuclear defence policy will be decisive in securing its return to power at the next election, Mr Neil Kinnock claimed yesterday.

In a rallying call to the party's annual conference at Blackpool he combined a fervent declaration of his patriotism with a condemnation of the threat to Britain's survival posed by the insistence of Mrs Margaret Thatcher, the Prime Minister, on retaining a nuclear deterrent.

Mr Kinnock argued that Labour alone among the political parties had faced up to the challenge presented by weapons of "mass obliteration."

In passionate tones he said: "I tell you in no casual spirit and with no bravado that like most of my fellow citizens I would, if necessary, fight and lay down my life for my country and what it stands for.

"I would die for my country. But I tell you I would never allow my country to die for me."

Mr Kinnock stressed that while implementing its non-nuclear defence policy a Labour government would faithfully discharge Britain's other obligations to its Nato partners, including the maintenance of the vital intelligence-gathering operations to which the US attached such importance.

He said: "We do not propose for one instant – and never have – to withdraw those facilities for they are our allies and we honour the alliance."

This assurance was clearly unwelcome to some delegates who later followed the example of a few members of the national executive, including Mr Eric Heffer and Miss Joan Maynard, and declined to join in the prolonged standing ovation accorded to the Labour leader.

Mr Kinnock contended that the prominent Americans who had recently expressed concern about the implications of a Labour government requiring the closure of American nuclear bases in Britain had been orchestrated by Conservative politicians and had not represented the views of the US Administration.

To laughter and applause he asserted: "The interventions that we have heard in recent weeks were not so much a product of American anxiety as result of Tory alarm at the fact that we are defeating them and we are going to beat them in the next general election."

Mr Kinnock maintained that the attitude of the US Administration towards Labour's proposals had shown a great deal more common-sense and common interest than the attitude of the Conservative Party.

To loud applause he said the American attitude reflected the knowledge that if a member of the alliance of democracies were to seek to subordinate the policies of a democratically-elected allied government, "it would be invalidating the very principles of democracy and sovereignty which Nato exists to defend and always has existed to defend."

Mr Kinnock scathingly dismissed the attempts being made by Dr David Owen, the Social Democratic Party leader, and Mr David Steel, the Liberal leader, to introduce a French element in their attempts to reach an accommodation over nuclear weapons policy.

While they could call the "Eurobomb" the minimum deterrent, in practice it would be able to kill 60m or 70m people.

Mr Kinnock linked his claim that Labour's stand against nuclear weapons would appeal to those who refused to accept that Britain had to surrender to hopelessness with a prediction that growing numbers of people would see through Mrs Thatcher's attempt to dress up a get-rich-quick system as an "opportunity society."

He accused the Government of dedicating every policy to "making the very rich richer and the poor poorer" and continually representing arrogance and aggression as the only proof of strength.

Labour, he said, preferred the view of the "moral majority" which had always existed in Britain. It was a moral majority which did not expect politicians to deliver heaven on earth but did expect them to work to "stop hell on earth."

Mr Kinnock urged delegates to recognise that there were a growing number of people who, while comfortably off themselves, realised that policies were needed to assist those without homes, jobs or the ability to secure badly needed medical treatment.

Such policies, said Mr Kinnock, could only come from a government determined to generate wealth through investment, production and growth.

Mr Kinnock called for a partnership between trade unionists and managers based on the understanding that if an attempt was made to "open the floodgates" and do everything at once, nothing at all would be achieved in the end.

Plans for treatment of City criticised

By Michael Cassell

LABOUR'S front bench economic team yesterday came under heavy fire from two of it most outspoken, left-wing critics.

Mr Brian Sedgemore, MP for Hackney South in London, and Mr Dennis Skinner, MP for Bolsover, in Derbyshire, both attacked Mr Roy Hattersley, the shadow Chancellor of the Exchequer at a fringe meeting held to launch a pamphlet on the City of London, backed by the Campaign Group of left-wing Labour MPs.

The pamphlet accuses the front bench team of failing to grasp the scale and implications of changes now taking place in the City and of formulating a post-election economic strategy which, they claim, is likely to result in continuing economic crisis.

Mr Sedgemore said that Mr Hattersley had "got it badly wrong" with his proposals for attracting capital invested overseas back to Britain. He said that, since 1979, an estimated $85bn had left Britain, involving the loss of 1m jobs.

Without statutory exchange controls, he continued, the country would continue to lose investment cash, it would be impossible to create economic stability and interest rates could not be kept under proper control.

Mr Skinner endorsed the call for statutory exchange controls and said that the City and its institutions should not be permitted the luxury of self-regulation. Labour should be committed to a specific minimum wage

George Graham looks at the defence of sterling

Nimble footwork at Bank

THE BANK of England has a relatively limited battery of weapons at its disposal to fight off the sort of pressure which sterling has suffered in the last few weeks. Yesterday, however, it won back some ground as sterling regained strength and, at the same time, interest rates weakened in the UK interbank markets.

It does not have the massive currency reserves of the Bundesbank – which yesterday pitched into the markets on behalf of its British colleagues – even after the $4bn floating rate note launched by the Treasury last month to top up the warchest. Nor does it still have the ramparts of exchange controls to insulate the domestic market from international currency flows.

Instead, the Bank has had to rely on good timing in its campaign to hold back a foreign exchange market that trades $90bn a day in London alone, buying sterling at the opportune moment either overtly in its own name, or more stealthily through two or three commercial banks.

Dealers report that the Bank has for most of the last few weeks been monitoring the currency markets in the Far East, which can often set the pattern for a day's trading, and choosing levels below which it has tried to stop the pound from falling.

This tactic can be expensive and often turns dealers grey with frustration. Its effectiveness is also frequently only temporary. A more effective tactic can be to wait until the market has stabilised and intervene during a lull to reverse some of the fall. The Bank of England adopted this approach on Friday afternoon and was successful in restoring some of the pound's losses.

Dealers note that this gain immediately before the weekend, although apparently small, may have been significant, since the opening value on Monday morning can assume a great psychological importance to dealers.

Much of the Bank's early intervention was carried out by selling dollars – which form the bulk of the UK's official reserves – to buy sterling. This ran against the grain for other European central banks, who were seeking to prevent the dollar from falling much further against their own currencies.

Yesterday's intervention, by both the Bank of England and the Bundesbank, took the shape of selling D-Marks directly to buy sterling.

The direct sterling/D-Mark currency market is a relatively small one, since almost all foreign exchange trading is done via the dollar, even if this involves an extra set of transactions. A Bank of England survey carried out earlier this year assessed sterling/D-Mark direct trading in London at only around $900m a day, compared with $27bn a day in sterling/dollar – known as "cable" – and $25bn a day in dollar/D-Mark.

One technique that is no longer open to the Bank of England is the classic "bear squeeze," in which speculators who have sold a currency short can be penalised through extremely high short-term interest rates – sometimes as high as 1,000 per cent for overnight money.

This tactic has been employed in recent years by the Bank of France. Overnight rates in the Eurofranc market have sometimes been driven up at times when the French franc was under pressure by constricting the supply of liquidity, while domestic French interest rates remained insulated because of France's exchange controls.

Even before the abolition of UK exchange controls in 1979, the bear squeeze was not a practical tactic for the Bank of England. The size of the offshore sterling market and the number of channels between it and the domestic market made it difficult to choke off the supply of liquidity, since there were other overseas sources of sterling cash.

In the last few days, the Bank of England has been using almost the opposite tactic. It has supplied ample liquidity to meet shortages in the London money markets, thus ensuring that short-term rates, at least, remained low and averting pressure for an immediate rise in bank base rates.

In January, when the Bank headed off pressure for a second rise in UK interest rates after it had already allowed base rates to climb from 11½ per cent to 12½ per cent, liquidity was provided very openly.

The Bank injected nearly £2bn of cash into the money markets under a sale and repurchase agreement at an interest rate of 12½ per cent – cheap money for the commercial banks at a time when interbank rates were over 1 percentage point higher.

NEI cuts 7,500 jobs in world regrouping

BY RICHARD TOMKINS

NORTHERN ENGINEERING Industries (NEI), the Tyneside-based heavy engineering group which has been on a profits plateau for the last three years, yesterday unveiled plans for a drastic reorganisation involving the elimination of its peripheral activities. About 7,500 jobs will be lost.

It also announced that it was cutting its stake in its South African associate, NEI Africa, from 56 per cent to just under 30 per cent because of the "continuing uncertainty" in the country.

NEI gave a warning that its rationalisation programme would cost an estimated £75m and would make 1986 a poor year for profits, but said it was an essential condition for the resumption of the company's growth.

First indications of the likely effect on profits came with the publication of company's results for the half year to June yesterday, showing a slump at the pre-tax level from £21.5m to £10.6m.

Mr Terry Harrison, the former chief executive of the company who succeeded Sir Duncan McDonald as chairman in May, said the main aim of the new strategy was to get overheads down so that the core businesses could trade at maximum efficiency.

The peripheral businesses would be gradually phased out between now and the end of next year, so leaving the group to concentrate on the two areas in which it had a significant technical and market position: power generation and mechanical handling.

The effects of the programme will be to reduce NEI's worldwide workforce from 28,500 at the beginning of this year to about 21,000 at the end of 1987.

Most of the job losses will be in the UK. About 2,300 of them have been announced already, such as the 800 on Tyneside in May, but a further 850 were announced yesterday, 300 of them at the Reyrolle Belmos electronic components subsidiary in Blantyre, Scotland, and 550 at two crane companies – Wellman Booth in Leeds and Cowans Boyd in Carlisle.

Overseas, NEI is to sell off two loss-making US subsidiaries: International Power Machines, a manufacturer of uninterruptible power supplies employing 220, and Extel, a manufacturer of communications terminals, employing 600.

The reduction of NEI's stake in its South African associate is a significant move for the company. Until three years ago NEI Africa contributed about 33 per cent of total group pre-tax profits, although this figure has recently been eroded by the devaluation of the rand.

Mr Harrison said the cut-back was for a mixture of business and political reasons. "We were under pressure to divest altogether in South Africa, but we thought it would be a satisfactory half-way house to maintain our technical support while at the same time reducing our visibility."

Software for new CD system

By Raymond Snoddy

PHILIPS and PolyGram have set up a new company in London to produce software for an interactive compact disc system due to be launched next year.

The new company, European Interactive Media (EIM), which was launched yesterday, hopes to form joint ventures with publishers and video companies with material suitable for conversion to the Compact Disc Interactive (CD-I) format.

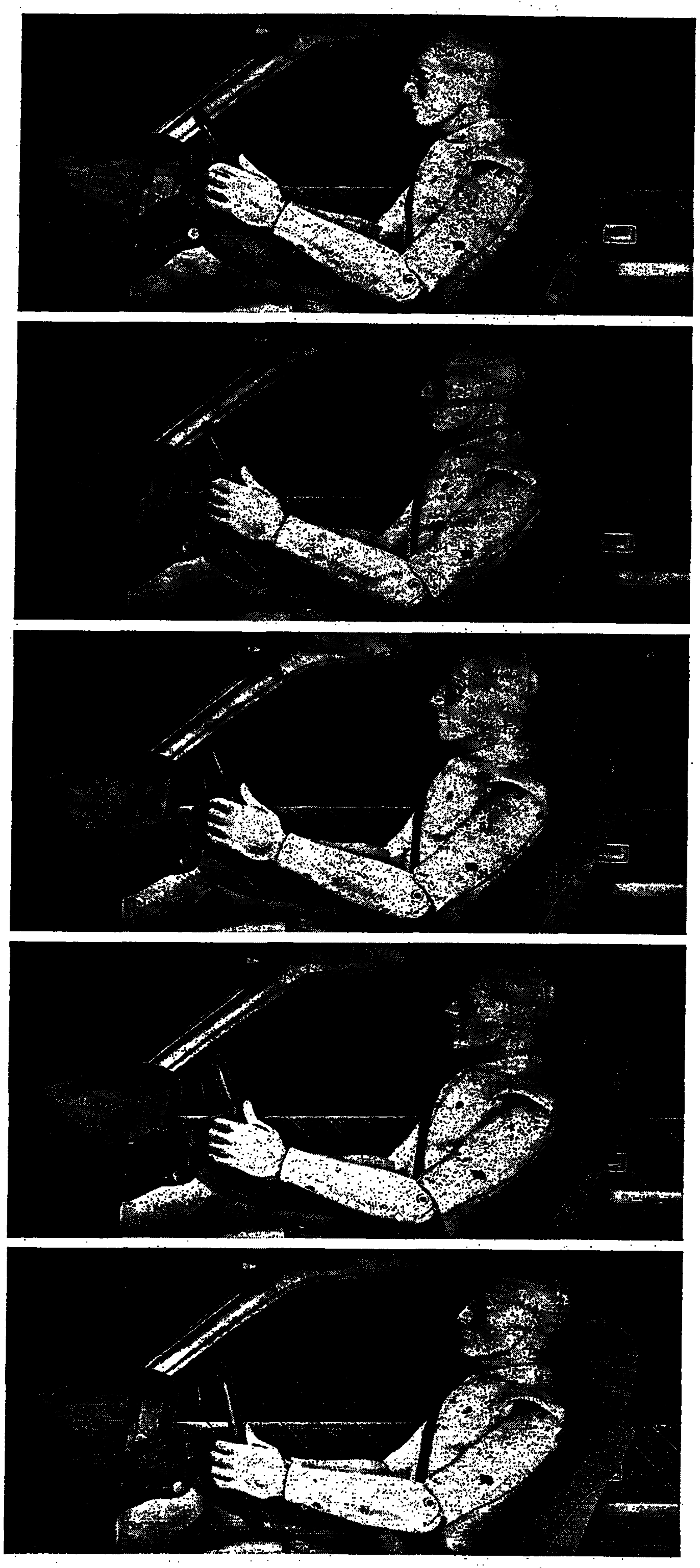
CD-I is an advanced form of compact disc which adds pictures and text to the high quality sound of existing CD players. The CD-I system will be aimed at the mass market and will be able to offer education and "how to" programmes as well as entertainment and music.

Mr Bryon Turner, president of EIM, said yesterday that the beauty of CD-I was its ability to merge material taken from computer software, print, broadcasting and entertainment "into a single, multi-function, mass-market medium."

● Pergamon, the publishing company chaired by Mr Robert Maxwell, yesterday announced a new CD Rom (compact disc read-only-memory) information publishing venture.

The new venture, called Compact Solution, which is run by Pergamon Infoline, aims at providing a "one-stop shop" for compact disc products for publishers and information providers.

Introducing 5-wheel drive.



As you can see, this is not some new kind of vehicle for negotiating rough terrain.

It is, in fact, Saginaw Tilt Wheel Steering.

A special feature that can alter the way a car fleet is run.

The wheel adjusts to five separate positions.

So, from a driver's point of view, it can make life more comfortable.

In turn, making driving far safer.

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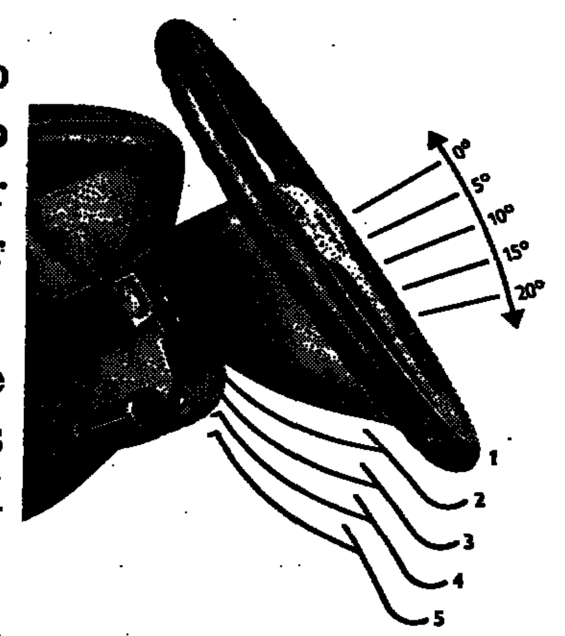

This last position also provides more leg room, so getting in and out of a car becomes a much simpler exercise.

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UK NEWS

Options on FT index launched by Liffe

By Alexander Nicoll

THE LONDON International Financial Futures Exchange (Liffe) yesterday launched a new contract which completes its preparations for the Big Bang reforms of UK securities markets due later this month.

Mr Geoffrey Owen, editor of the Financial Times, rang the bell to start trading in options based on the Financial Times-Stock Exchange index of 100 leading UK shares.

Liffe's business will be in direct competition with the Stock Exchange's own options on the FT-SE 100 Index, although Liffe's contract is technically an option on its own futures contract based on the same index.

The launch took place amid hubbub even noisier than usual on Liffe's floor as traders in the gilt futures pit bid up prices in response to the Bank of England's attempts to avoid a rise in UK interest rates.

Volume in Liffe's gilt futures and options, as well as in the FT-SE 100 contracts, is expected to rise sharply after Big Bang in line with the likely expansion of trading in underlying securities markets. The increased number of market makers in gilts and equities are likely to use futures and options both to protect their positions and as additional trading vehicles.

FT-SE 100 futures have been among the exchange's less successful contracts, partly because only a few fund managers have taken to using them in order to enhance or fine-tune their portfolios.

Options, however, are expected to boost futures volume as they allow more complex strategies to be used involving both contracts. The new contract may also attract smaller investors who can use them to bet on the overall stock market's movement. Price movements of options are proportionately greater than those of the underlying market.

The contract launched yesterday is an option on one FT-SE 100 futures contract, which itself is worth £25 times the index, or £38,750 when the index was standing yesterday at about 1,550. Both contracts are settled in cash, so that holders of long positions at expiry do not receive actual baskets of stocks representing the index.

Shell to maintain programme of N. Sea research

BY MAX WILKINSON, RESOURCES EDITOR

SHELL INTENDS to maintain the momentum of its research into how best to exploit North Sea oil and gas reserves, despite the steep fall in oil prices this year, one of the company's senior executives said yesterday.

Mr Brian Lavers, technical director of Shell UK Exploration and Production, told a conference in London that a high priority was being given to preserving the £33m a year research and development programme as a "lifeline for the future."

However, Shell International, the parent company, said yesterday that a wide-ranging effort to prune costs and increase efficiency was now being undertaken throughout the group.

The service companies in London and in The Hague, which provide a central pool of expertise for the different operating companies within the group are to come under particular scrutiny.

These service companies employ 6,000 people. They have been told that in the interests of improved efficiency reductions in manpower at all levels of seniority may be necessary.

The exercise is similar to that forced on many oil companies since the collapse of oil prices from about $30 per barrel this time last year to around $15 in recent weeks. However, Shell has so far made every effort to downplay the impact of the fall in prices on its operations. In the spring, Exxon, Shell's largest rival, announced that it was cutting 28 per cent off its capital development budget with major staffing cuts mainly in the US.

Shell on the other hand, has consistently emphasised the need to keep up the pace of exploration, research and development as much as possible to prepare for the future when it believes oil will once again be scarce.

However, there is a growing belief within the oil industry that the period of relatively weak prices could last for several years. A Shell spokesman said yesterday that the effort to improve efficiency in service companies reflected this fall in prices, although it was also part of a long-term drive to ensure that the operations were cost effective.

The group has given no indication of how many jobs are likely to be lost, nor whether any of them will be forced by retirement. However, the spokesman said that exercise was not at all like Exxon's.

Yesterday, Mr Lavers explained why research spending at least was, if anything more important to Shell in an era of low oil prices. "Many of the remaining oil and gas fields in the North Sea needed innovative thinking to make them viable before prices slumped. We now look to research and development to provide us with even more efficient and cost-effective ways of not only developing new reserves, but of operating our existing fields."

Mr Lavers told the conference on offshore and marine technology transfer that one of the most difficult tasks would be to ensure that the research effort was properly targeted.

Coal 'soon ripe' for private ownership

By Maurice Samuelson

BRITAIN'S COAL industry could be ripe for private ownership by the end of this decade if its improvement continues at its present pace and if the political climate is right, Sir Ian MacGregor, the former British Coal chairman, said yesterday.

The speed with which privatisation became a feasible option depended on it "getting within shouting distance of world standards of productivity," said Sir Ian. But the decision would be political rather than economic.

Comparing the coal industries in the UK and US, he said that while Kellingley colliery in Yorkshire produced 2.25m tonnes a year with more than 2,000 men on the payroll, Consolidated Coal of Pennsylvania, using British long-wall equipment, produced more than 3m, tonnes a year with fewer than 1,000 miners.

Sir Ian, interviewed in London before the publication of his controversial book about the miners' strike, said British Coal had to make more effective use of manpower and more selective use of its reserves to produce an economic result and ensure cheaper electricity for the British economy.

Commenting generally on British industry, he said, "Too many people are living on our wealth-producing basis." Companies like British Leyland, of which he was formerly a director, were not generating enough investment capital to stay in business.

'Direct-injection' van launched

BY JOHN GRIFFITHS

AUSTIN ROVER yesterday launched diesel versions of the Maestro car-derived van, fitted with a directly injected engine claimed to be a world first.

The 2-litre engine, designated MDi and developed and produced jointly with Perkins Engines of Peterborough, East Midlands, is claimed to be the first application of a high-speed directly-injected diesel in the light van sector.

Unlike conventional, indirectly-injected diesels where fuel passes through a pre-mixing chamber, fuel is injected straight into the combustion chamber in the MDi unit.

Austin Rover and Perkins say that, as a result, not only is the 62 brake horsepower unit more powerful than similar-capacity rivals, but it has more torque and better fuel economy.

A diesel entrant in the car-derived van sector has been sorely needed by Austin Rover.

Scotland's top Tory is confident despite depressing outlook

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

IMAGINE that you are behind the desk of Mr Malcolm Rifkind, Secretary of State for Scotland. As you gaze out across the grey Edinburgh skyline, from the top floor of the Scottish Office, your mind is likely to be dwelling on a set of depressing facts.

First, the opinion polls show that the Conservative Party's standing in Scotland is near to an all-time low at about 15 per cent. Translated into real votes this could mean the number of Conservative MPs in Scotland falling into single figures from 21 now. You could easily lose your own seat in Edinburgh, where you had a majority in 1983 of 4,309.

Second, after several years of heavily publicised plant closures from the Leyland plant at Bathgate, near Edinburgh, to British Steel's Gartcosh rolling mill, near Glasgow, your Government is irrevocably associated in many people's minds with unemployment, and an impression that London and the Tories simply do not care about Scotland.

Third, many of your own supporters – 28.4 per cent of the Scottish electorate voted Conservative in the 1983 general election – were clobbered in last year's Scottish rates revaluation. You are working on a Bill which would replace domestic rates with a flat rate tax on adult occupancy – but your opponents say it will not work.

Fourth, every time you open a Scottish newspaper or watch a Scottish television programme, you find your Government's actions being disparaged or belittled. It is a sombre reminder that the majority of Scots lean to the left and believe in state intervention, unlike your Prime Minister. Is your task of restoring Conservative fortunes in Scotland impossible?

It does not seem that way to the real Mr Rifkind who, aged only 39, is one of the rising stars of the Tory administration. After nine months as Secretary of State for Scotland – he replaced Mr George Younger, who went to the Ministry of Defence at the height of the Westland affair in January – he still looks eager and confident. He gives brisk, precise replies to criticism but is not as remote as his somewhat gaunt, bespectacled face might suggest.

"Of course the Conservative Party's message is not lapped up here the same way as it is in the south-east of England," he said. "But there they don't have any steel plants or heavy industry. Scotland's affected far more than elsewhere by the process of industrial change, because it was one of the first areas of Britain to industrialise.

"People naturally pay far more attention when a lot of workers lose their jobs at a company that has been a household name all their lives, than when new businesses take on a small number of people. In Scotland, we tend to forget the new sources of employment – the 40,000 new electronics jobs in Silicon Glen, the oil industry and so on – and forget that unemployment is a lot lower in Scotland than it is in several other parts of the UK."

Mr Rifkind rejects the suggestion often heard in Scotland that Mrs Margaret Thatcher has given up trying to do things for the Scots because so many of them reject her and her Government. "It was Mrs Thatcher who insisted that British Steel kept open Ravenscraig (the only integrated steel complex in Scotland) when they wanted to close it. It was thanks to her that a Government committee was set up to investigate the grievances of Scotland's teachers."

Yet 79 per cent of Scots told a recent opinion poll that they disapproved of Mrs Thatcher – a far higher proportion than in the UK as a whole.

The Conservatives could also be at a disadvantage if a specifically Scottish issue – devolution – returns to prominence in the run-up to the next general election. Labour, which opinion polls currently give nearly 50 per cent of the Scottish vote, the Social Democratic Party/Liberal Alliance and the Scottish National Party all support the idea of some sort of Scottish assembly, while the Tories oppose it.

"I don't believe people really feel deeply about devolution," says Mr Rifkind. "Go into any pub in Edinburgh, and ask the people what they care about and if they mention devolution at all, it will be about number 16 on the list."

He rejects any form of devolution that involves giving the powers currently wielded by the Secretary of State to a Scottish executive, or a Scottish assembly, which would "make the Secretary of State simply a message boy for an assembly that might be of a different political complexion to himself. Scotland needs a strong Secretary of State to put its point of view in the Cabinet."

But had not Mr Rifkind himself voted in the past for a Scottish assembly? "I at one time voted for an assembly that would be involved in the legislative process, but I am totally against the idea of a separate Scottish executive."

So what can the Conservatives offer Scotland? Hopes are clearly pinned on the reform of the domestic rating system which the Government intends to push through parliament in the coming session.

The plan is to replace domestic rates with a community charge levied on the adults in every home. Being spread over a much wider number of people than the present rating system, the charge would amount to about £200 per head.

For those who now pay heavy rates bills, the new system is highly attractive. But it will not begin to operate till 1989 and many people doubt whether it would be either feasible or fair. But Mr Rifkind insists that the system – which would be a pioneer of a reform of the rates in England and Wales – is valid, and that it will become law next year.

He is to become even more closely identified with this issue; it is he whom the Conservative Party has chosen to reply in the debate on rates reform at the party conference next week.

Channel Island ferry jobs to go

BY LYNTON McLAIN

ALMOST 500 jobs are to go in a rationalisation of loss-making private ferry services to the Channel Islands.

Sealink UK and Channel Island Ferries have formed a joint company, British Channel Island Ferries, to operate a reduced network of routes to Jersey and Guernsey in the hope of breaking even next year and making a profit in 1988.

The company is part of the Bermuda registered Sea Containers group and is to make all 657 of its staff on its Channel Islands services redundant before offering them a total of just under 200 jobs with the new company. The redundancies will cost Sealink UK £8m.

Sealink UK employs 437 crew and 220 shore staff on its heavily loss-making Channel Islands services. There will be job losses at Weymouth, Portsmouth and Southampton, where the Sealink UK office will close with the loss of 35 shore jobs.

Channel Island Ferries, an independently owned company, is to make 16 of its 31 shore staff redundant and up to 15 crew of the company's vessel, Corbiere, will also lose their jobs.

Television/Christopher Dunkley

The wheat in the Euro chaff mountain

According to the evidence in a large and fascinating survey of television to be published later this week the quality of programming in European countries will decline by the end of this decade. Yet according to the evidence at the 38th Prix Italia festival which has just ended, more television companies than ever before in more countries than ever before are striving to produce high quality drama, documentary and music programmes. Moreover they seem—in two of these categories, at least—to be succeeding.

Draw up a league table showing all the Prix Italia television awards presented since the event began (which was in 1948, though at that time it dealt exclusively with radio) and you find Britain has an astounding lead: 26 first prizes, with Sweden in second place having 10. Yet this year, for the second year running, the British failed to add to their total. They had to be satisfied with the Prix Italia for radio documentaries, won by the BBC with *Setting Sail*, and the "special," or second, prize for television documentaries which was taken by Channel 4's excellent programme about servants in South Africa, *Maids and Madams*, produced by Associated Film Production in association with Sered Films, which I praised in this column last year.

Child actors in the award-winning Swedish play Seppan

Held this year in the magnificently walled city of Lucca, the festival produced only two pukka Prix Italia awards for television. The music jury watched the 16 entries in their section and then withheld the first prize of L9,000,000m (£4,000) and awarded only the "special" prize which they gave to Norway's *Ashes And Mist And Wind-blown Dust*, one of those modern studio ballets in which everyone is dressed in rags or Lyrca; th music sounds like a dripping tap plus the engaged tone, and an awful lot of time is spent writhing on the floor. The opticals were good.

The two top television prizes which *were* presented each went to a country which had never won a Prix Italia before. Canada took the documentary award with *Final Offer*, a tremendously exciting fly-on-the-wall account of union bargaining in the car industry, and Israel won the drama prize for *Bread*, a story about the agonies of a poorly paid bakery worker who is made rundant and barricades himself and his family in his flat in protest.

Bread was photographed and acted so convincingly as to look very like a documentary, and of course it dealt with the tribulations of the poor, a subject which appeals greatly to Italian juries. Yet Sweden's drama entry seemed to me clearly the better piece of work. Called *Seppan* it portrayed life from a child's viewpoint and featured a big cast of young children, not one of whom ever looked less than utterly natural.

In contrast to their music colleagues the drama jury recommended six of their 22 contenders to us as, in the words of the Michelin Guide, "worthy of a detour." In addition to *Bread* and *Seppan* they were *The Burgomaster of Veurne* from Belgium, a highly polished political drama which won a special prize for best adaptation (from a Simenon novel); the BBC's entry, *Contact*, which looks like a documentary about a British Army patrol on the Irish border; Holland's *Turkish Video* with a bright if unexploited central idea about an immigrant worker's real troubles tangling with the fantasy life he gains from rented videos and Finland's *The Wrestler*, a wonderfully quirky work about a strong man in an old people's home who refuses to conform but gets bask into his leotard and elopes with his paramour, puling her along in a railway truck with his teeth.

Concentrating as I did on the drama screenings, with frequent trips to the documentary room, I was struck by the welcome scarcity of programmes about World War II; the diversity of subject matter (although stylistically naturalism is now virtually universal, unfortunately); and a willingness to deal with contemporary topics rather than always hiding safely behind the elaborate costumes and controversies of the past. All this was in interesting contrast to many previous festivals and—especially when considered in conjunction with the increasing number of countries capable of winning a top prize—a seemingly heartening trend in the world of television generally.

Yet those impressions hardly seen to square at first sight with the conclusions of Horizons Media International (part of Young and Rubicam) in their report *Television Programming In Europe*. Described as the first study of its kind, and intended as a pilot work for what will become a regularly up-dated data bank, it lists which programmes were being transmitted in peak hours during one week of September 1985 by 39 television stations in 13 European countries. It analyses the origins of those programmes and gives their ratings, the chief purpose clearly being the provision of a marketing tool for the expanding international advertising business. Of course, it also provides gripping reading for anyone who is simply interested in the general development of television, mixing as it does the predictable with the unexpected.

For instance it is no great surprise to find that during the week in question, West Germany (the country which won special prizes for its radio drama and music at the Prix Italia) filled the first three slots of its TV Top 10 with an international soccer match, *Dallas*, and *Hotel*. The mind does boggle a little, however, at discovering that 7 per cent of the programmes broadcast during the same week in peak time on Channel FS2 in Austria were Japanese. Interesting, too, that NRK in Norway — makers of that prize winning ballet programme — showed a mere 3 per cent of American programmes but imported 16 per cent from Britain and 4 per cent from Argentina.

It was only to be expected that, in the words of the report, "If programming patterns are anything to go by the French seem to be the most xenophobic race in Europe" with their three channels carrying 83, 87 and 93 per cent of domestically originated programmes. But who would have guessed that the lowest domestic content would turn up on an Italian channel (Canale 5) with domestic programmes at 28 per cent and American imports a whopping 72 per cent? Come to that, who would have expected our own Channel 4 to be carrying 32 per cent of American programmes — a higher proportion than Rupert Murdoch's Sky channel, so heartily despised by public broadcasters?

American "cultural imperialism" of this sort is worrying state broadcasting organisations all over Europe, a fact which will no doubt emerge very clearly today and tomorrow during the conference "Film and Television: A European Partnership" at London's National Film Theatre. Speakers are due to include such promisingly assorted characters as the freebooting Silvio Berlusconi of Italy, owner of Canale 5, and Jack Lang, France's former Minister of Culture, one of the most passionate opponents of America's cultural exports.

If *Dallas* and *Hotel* are what most people want, it is difficult to see why, at a time when television is expanding rapidly, they should be denied them. The important question for the sort of people who, I take it, are regular readers of this page, is whether "our" sort of programmes — the good documentaries, original drama, wide ranging arts series — will disappear during this expansion.

The fashionably pessimistic answer is that they will, but the truth appears to be that although they may be more difficult to find thanks to the sheer increase in programme numbers, the proportion of our sort of programmes will probably stay the same, and the same proportion of a greater number means more. That seems to be the message from the Prix Italia, and also from the Horizons Media report which concludes:

"The average quality of television programming will certainly decline by the end of the decade. But all indications are that the best television will go on getting better. The equation has to be viewed in its totality."

Quite so.

The School for Scandal/Arts, Cambridge

Michael Coveney

In spite of Felicity Palmer's authentic Amy Johnson-style aviatrix in the ENO's new *Mikado*, Jonathan Miller's exuberant production is actually closer to the pastiche 1920s world of Sandy Wilson. The Cambridge Theatre Company at the Arts, Cambridge, has meted out even more radical treatment to Sheridan, transposing this great comedy to 1930s Mayfair and, as at the Coliseum, decorating and furnishing the proceedings in the cool, yet corrosive, whiteness of Syrie Maugham's interior designs.

Apart from a few jolting references to coaches, horses and swords, Bill Pryde's production works very well. The year is defined as 1933, so that the problem role of Moses the Jewish broker (beautifully played by Tom Georgeson) is a source of Moseleyite salon distaste before it hardens into anti-semitism. And the gossip school itself, fed on cocktail party chatter and paragraphs in the Tatler, reeks of Noel Coward's idle but smart stabbing of reputations.

The Mikado has been subjected to all manner of overhauls, musical and scenic, but I have never before encountered updated Sheridan. The language remains glittering and natural, from Mr Snake's appropriation of the prologue to the Teazles' "daily jangle" and the insinuating Joseph Surface's definition of himself as a platonic cicisbeo.

This all sounds absolutely right in the new setting. Lisa Daniely's elegant Lady Sneerwell is the presiding Sybil Colefax; Michael Hadley's journalistic Snake is a recognisable William Hickey, a mixture of the fawning Godfrey Winn and the dispassionate Tom Driberg; Iain Mitchell's emphatically self-conscious Sir Benjamin Backbite a gadfly poetaster in the sub-Coward mould; Cecily Hobbs's Mr Candour a slightly stooping, vacant, disappointed socialite in a cloche hat.

Tanya McCallin's superb setting and costumes (together with Max Early's Walton-flavoured incidental music) maintain the mood, the white piano, sofa and vases of flowers revolving among transparent perspex wall units. The auction scene, Charles Surface flogging off his relatives to the investigative Sir Oliver, could easily be set in a Sotheby's back room.

The Surfaces of Paul Mooney and Neil Dudgeon are correctly similar in wide-lapelled jackets, pinstripes and co-respondent shoes, Mr Mooney releasing Joseph's unpleasantness only gradually, and Mr Dudgeon a heartily carousing Charles whose good name is almost casually unmuddied. Paul Imbusch's Sir Oliver is forceful bordering on heavy-handed, but David Ryall's Sir Peter Teazle strikes a supple Churchillian figure collapsing into conspiratorial mirth at the prospect of Joseph's "little French milliner" in the screen scene.

This production is the CTC's 100th. Over 17 years the company has sustained a remarkable record of intelligent interesting classic productions and was rightly recommended by the recent Cork report for drastically increased funding. It operates currently at less than full stretch for lack of money (only four productions this year instead of six) but the demand for its work in the middle-range touring houses is unabated. *The Changeling*, also directed by Mr Pryde, opens later this month and both shows will then tour to Poole, Darlington, Bury St Edmunds and the Warwick Arts Centre.

Left to right: Iain Mitchell, Rebecca Pidgeon, Cecily Hobbs and Richard Williams in the Cambridge Theatre Company's School for Scandal, transposed to 1930s Mayfair

To Kill a Mockingbird/Contact Theatre, Manchester

Charlotte Keatley

Gerry Murray

Neil Caple and Jane Hazlegrove

Contact Theatre has developed a reputation for inventive and youthful productions of modern classics and new plays over the two years since Anthony Clark was appointed artistic director. This season opens with the European premiere of Harper Lee's well-known novel *To Kill a Mockingbird*. Christopher Sergel's adaptation follows the obvious structure of the adult Scout looking back on her girlhood self. It is lifted from monotony by a production of startling imagery, and a vivid recreation of a girl's eye view of adult cruelty and injustice.

Harper Lee's story is still contentious: in Alabama in 1935 a white lawyer, Atticus, defends a black man accused of raping a white girl. Evidence suggests it was not rape but incest by the girl's father, but public prejudice is ready to condemn the black man to death. As Atticus says: "They've done it before, they'll do it again, and when they do it, it seems that only children weep." I think most of the audience wept too, several times: Harper Lee has the brilliance to push her story beyond the obvious neat ending points, and Contact's production has the emotional power to carry us through each stage of empathy, anguish and insight.

Atticus wants nothing more for his daughter than that she should be able to see from another person's skin, and John Strickland's performance achieves this with astonishing sensitivity, thereby dramatising the essence of the novel. Tall and gaunt, Strickland conveys a combination of physical frailty and absolute grit. He brings Atticus's stubborn morals to life in a meticulously detailed performance: when spat on, his eyes and face remain resolutely passive, only his lower lip trembles.

Anthony Clark's direction is at its best when pacing the suspense and creating atmospheres in which the performances can unfold. 18-year-old Jane Hazelgrove plays Scout with unflustered child logic, and convincingly handles one of those moments in which one "grows up." Neil Caple, as the playmate Dill, manages to combine outsized shorts and a bow tie with the serious face and gentleman buccaneer manners of a child eccentric. Faith Tingle imbues Calpurnia with a dignity which bypasses the caricature black housekeeper. Winston Crooke plays Tom with compelling presence and delivers his central speech with compassion, not accusation. Sally Eldridge as narrator also switches instantly into a toothless, screeching old neighbour, with Deep Southern vowels that rasp in the throat, while Bill Crossdale gives us a subtly judged, languid Southern sheriff.

Today, stories such as this need to be written by the black protagonists. As it stands, the play and novel charts white guilt, prejudice and cowardice; the characters are barometers of society's racism. Tony Clark represents the subjectivity of the white viewpoint of the novel by directing the play not as naturalism but as a series of symbolic events. In the opening tableau, set to Billie Holiday's "Strange Fruit," the entire cast fill the stage like a frozen crowd surging forward, menacing. Kate Burnett carries this approach through into a design which visualises the selective process of memory: a dazzling white clapboard house front and door frame represent Scout's home, and across the stage space, the mysterious Boo Radley's house and garden are represented by abstract curves of wood and scaffolding in blues and greens. The final scene of this remarkable production takes us into this terrifying zone, and recreates the moment when Scout surfaces from the clear morality of childhood into the injustices of the adult world.

Mozart/St John's, Smith Square

David Murray

John Eliot Gardiner conducted another Mozart concert with period instruments on Monday, with Malcolm Bilson as fortepiano soloist in two of Mozart's last concertos, the "Coronation" and the great C major, K.503. St John's offers a charming setting for such an affair: aptly in style but not period-twee, and ample enough to accommodate a large audience and flatter the orchestral sound. Even at the back of the hall Bilson's fortepiano, a copy of Mozart's own, carried surprisingly well.

Gardiner's English Baroque Soloists were the orchestra, and they sounded marvellous. Granted Gardiner's penchant for dynamic hairpins (he hates to leave a phrase uninflected), he secured brilliantly pointed, unanimous playing from everyone, and the valveless trumpets rang out superbly at the start of K.503. The special orchestral showpiece was the somewhat neglected Symphony no 30 in D, delivered with such determined imagination that it gripped one's attention continuously. The lesson seemed to be that conductors rarely take enough trouble over it, for it brimmed convincingly with ideas.

A lively imagination is one of Bilson's particular strengths, too; he is idiosyncratic enough to escape the curse of academic archaeology (many an historically "correct" performance is musically dead, though the likes of Gardiner and Bilson have done wonders for the performing level in the area). His brittle energy was effective in the Finale of the "Coronation"; there were several prominent finger-slips in the first movement, and his treatment of the Larghetto was unengagingly self-conscious, even crabbed.

The richer C major Concerto presented a more formidable challenge, for it is easy to believe that Mozart himself might have welcomed a grander solo instrument for it. There, Bilson offered many bright, suggestive touches; the greatest interest lay, however, in the unfamiliar balance between solo and orchestra. Inner parts suddenly became transparent, to the enrichment of the dialogue. It is disconcerting to discover just how much a modern piano covers up.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

September 26-Oct 2

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

The Mystery of Edwin Drood (Imperial): Rupert Holmes's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

LONDON

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhorse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

Galileo (Goodman): Brian Dennehy takes the title role in Bertolt Brecht's exploration of intellectual honesty in a repressive environment under the direction of Robert Fall, who has just taken over as the Goodman's artistic director. Ends Nov 1. (443 3800).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

Jackson Browne/Hammersmith

Antony Thorncroft

Anyone skipping along to Hammersmith this week hoping to discover that the seventies are alive and well in the hands of Jackson Browne is likely to be disappointed. The atmosphere was heavy with the sweet smell of after-shave rather than dope, and the man himself is very different from the agonised introvert who squeezed the most pitiful love songs out of his experiences (to universal empathy) on his last visit almost a decade ago.

No one, apart perhaps from Joni Mitchell, was more adept at preserving broken love affairs in musical aspic, dissecting break-up and soured relationships and re-forming them into some of the most plaintive lost love songs of the generation. Mix this with a lean, boyish, cowboy look, a skill in finding the right dolorous chords on the piano, and a fixation with road culture which nicely attuned to those restless days, and Browne was made as the voice of bedsit America.

Now everything has changed — but nothing has changed. Browne has shifted his persona; angst into a public angst. His songs bewail the fate of America rather than his own misfortunes. He has gone political. With a giant screen behind the band to punch home with pictures the message of recent compositions like "Lives in the balance" (about Central America) or "Soldier of plenty" (about the armaments industry) he puts all his pent up passion into propaganda. Yet he remains a patriot, an all American boy, as he proves with "For America."

Strangely this new stance hardly changes his appeal; his music remains the same — plangent, forceful, insidious, lyrical, lifting you up with its strength and melody. It does not make him an amusing artist to watch but it does not diminish his power. And he takes the audience with him — to a great extent.

But they are only human and when, well into his second hour, he switches into "The Pretender," and some of the sad songs, there is a roar of relief. Backed by the professional six piece you associate with US stars, with Kevin Dukes taunting some searing cries from a bright blue electric guitar, Browne roared on to what must be the best and cleverest "get off" number in modern pop, his version of "Stay". Then, with the audience clapping in happy memory, the band drove home its dominance by returning yet again with "For a rocker." Jackson Browne, the greened voice of a million strained hearts, was suddenly Jackson Browne the pop star, and a little of the seventies had re-surfaced in west London.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY

Telegrams: Finantimo, London PS4. Telex: 8954871

Telephone: 01-248 8000

Wednesday October 1 1986

Appointment in Reykjavik

THE FIXING of an early interim summit meeting between President Ronald Reagan and Mr Mikhail Gorbachev appears to set an auspicious seal on the resolution of the tense stand-off over Daniloff and Zakharov. Things could still go badly wrong in the slow and awkward rapprochement between the two superpowers; at the very least, the rapprochement could remain stalled by a failure to reach agreement on the big and difficult issues of nuclear arms control. But the urgency of the forthcoming meeting, proposed by Mr Gorbachev, suggests that the Soviet leader is determined that the rapprochement shall not be upset by misunderstanding and lack of communication.

It is still not clear by what processes, deliberate or accidental, Mr Nicholas Daniloff and Mr Gennadi Zakharov were effectively cast in the role of hostages. What is clear is that the manoeuvring by the two superpowers to find a way out of this dispute was made much more difficult for President Reagan by the consistent efforts of the American right wing to turn the episode into a test of machismo.

Their accusations that the administration "blinked" under the Soviet stare in this case, are no doubt a foretaste of the kind of pressure that President Reagan is likely to be subjected to if he were suspected of being soft on even bigger issues, like arms control.

Intense talks

For at least two reasons, the forthcoming meeting in Reykjavik is unlikely to produce any major new agreement. First, the time is very short to reach agreement, even in outline, on any of the most important issues; second, Mr Reagan will be reluctant to give hostages to fortune, three weeks before the mid-term elections in the US, by putting his name to any comprimses which could even be suspected of being too favourable to the Russians.

On the most favourable assumptions, however, the two leaders may be able to narrow the gap separating the two sides in one or more of the three Geneva negotiations. In recent days, the two foreign ministers have had very intense conversations, and while Daniloff-Zakharov may have been at the top of the agenda, it is hard to believe that they did not also discuss other substantive issues; in which case, the two sides may have a clearer idea, at the very top, of what freedom of movement is possible on what issues.

Some reports have suggested that the two sides could be within reach of an agreement on Intermediate-range Nuclear Forces (INF), under which each would keep 100 warheads in Europe and the US would have the right to another 100 to match Soviet SS 20s in the Far East. Such an agreement would have the appeal of simplicity; yet the West would find it hard to give up limits on shorter-range Soviet missiles. the Soviet Union to reach any nuclear weapons agreement without a deal on Star Wars.

Here, the two sides have already crossed the threshold into the arena of negotiation. The Russians have given up the attempt to get a blanket ban on president Reagan's Strategic Defence Initiative, and President Reagan has given up the attempt to have SDI excluded from the negotiations altogether; instead, both sides are debating a temporary ban on any deployment of SDI, in which the argument is about the number of years of such a ban and the precise conditions that would circumscribe it. Similarly, there has been some convergence in the proposals for reductions in long-range strategic nuclear weapons.

No doubt much hard technical work has still to be done at the expert level; perhaps President Reagan has yet to decide whether he really wants to take the politically significant step of concluding a major agreement with the Soviet Union. But in the meantime, he and Mr Gorbachev may be able to reach some greater understanding so as to prepare for a more productive summit in Washington at a later date.

On the other hand, the dramatic surprise of a sudden decision to hold an urgent meeting in Iceland is also consistent with an altogether less auspicious scenario. The shortness of the notice virtually guarantees the absence of those concrete achievements which Moscow until recently made a precondition of a summit meeting; it is conceivable that Mr Gorbachev is deliberately preparing for an unsuccessful meeting in Reykjavik in order to cancel a later meeting in Washington. It seems unlikely; it would be easier simply to call off any second summit. Yet the greatest consistency about the rapprochment between Washington and Moscow has been its inconsistency.

Mr Kinnock looks inwards

MR NEIL KINNOCK won his battle for the hearts and minds of the British Labour Party some time ago. If there was a turning point in his leadership, it was when he stood up to the Militant Tendency and to Mr Arthur Scargill, the mineworkers' leader, at the party conference last year. Simultaneously, respect for him in the country at large began to rise.

Thus Mr Kinnock was able to tell this year's conference in Blackpool yesterday that the party is entering its fourth year of recovery and advance. Few would quarrel with that: the opinion polls confirm it and, compared with years past, the conference has become an almost tranquil affair.

Yet for a man in such a relatively happy position, it was a remarkably subdued performance. It was as if Mr Kinnock could not quite believe he has come as far as he has. He chose to demonstrate once more his good relations with the party rather than to use the opportunity to speak to the country as a whole.

The essence of the agreement between Mr Kinnock and his followers is that he has embraced—by no means against his will—a non-nuclear defence policy in return for being given a more or less free hand in matters economic. At the same time, he has succeeded in convincing the majority of the left in general and the trades unions in particular that he is capable of winning a general election. If the prize is a Labour Prime Minister, they are prepared to give him a great deal of leeway.

Party consumption

A bolder man than Mr Kinnock turned out to be yesterday would have taken all that for granted. It was already confirmed by his friendly reception at the TUC Conference in Brighton early this month and by the way the unions have accepted a more detached relationship with the party leadership. Still, Mr Kinnock went round the old course once again just to make sure.

Much of his speech was for party consumption; the lengthy criticism of American policy in Nicaragua, for example, was widely applauded in the hall, but is unlikely to find much resonance outside as a central issue in British politics.

In one section on defence policy he sought to reassure the Americans that while a Labour government would abandon nuclear weapons, it would remain a firm ally by allowing the US to keep its intelligence facilities from Fylingdales to Pembrokeshire and from Cyprus to Hong Kong. That part of the speech was not so enthusiastically received, though the conference did not know about the imminence of the US-Soviet summit.

The economic content of his speech was unspecific and went down quietly. In fact, it contained two warnings. One was that if a rise in British economic activity leads to the country buying more finished foreign goods something unstated will have to be done. The other was that if expansion led to an increase in capital or labour costs beyond what could be absorbed by improved efficiency or accepted by purchasers, some other—again unstated—action would have to be taken.

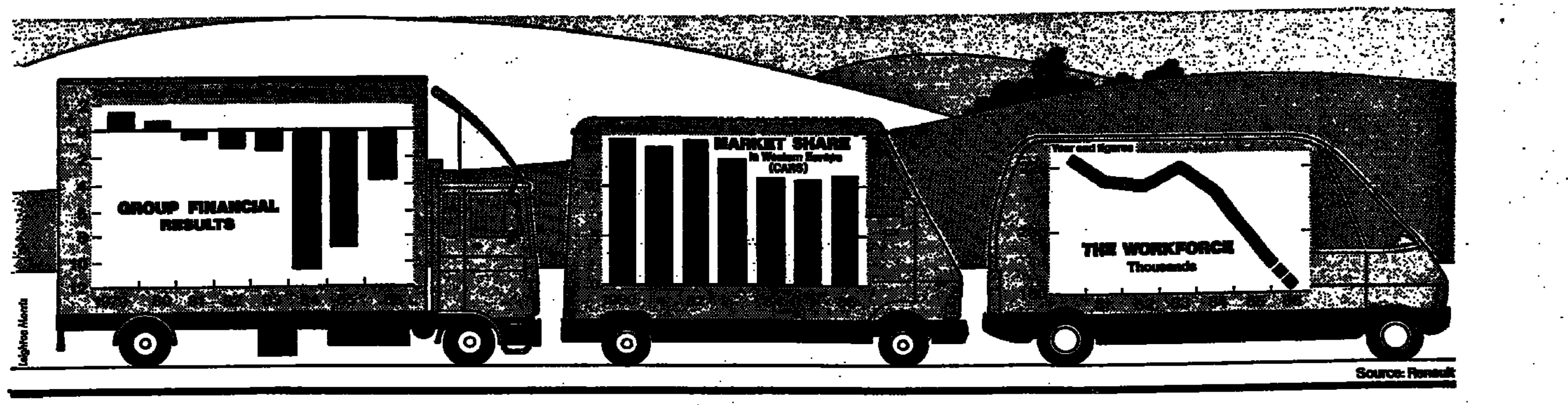
Moral majority

It was also noticeable, as it had been in other speeches earlier in the week, that Labour has begun to pin its hopes of being able to do what it wants in the social field on a high rate of economic growth: an aim that has proved elusive in the past.

There were a few good flashes. The Labour Party seems finally to have realised that it cannot allow the Tories to continue to have the monopoly in dealing with questions of law and order. The point has begun to be made that it is the poor who suffer from mugging and burglaries as much as the relatively well off, and the party has started to attack crime rather than the police. Where Dr David Owen for the Social Democrats appealed two weeks ago to the social conscience, Mr Kinnock appealed yesterday to the "moral majority," presumably without the American connotations. Where Harold Wilson used to speak of the candy floss society, Mr Kinnock accused the Tories of "flaunting a commercialised paradise before young people and giving them the purgatory of unemployment and insecurity."

As a speech designed to keep the conference happy, it was a success. Bigger challenges lie ahead.

RENAULT'S STRATEGY



Earn more, spend less

By Paul Betts in Paris

GEORGES BESSE, the normally secretive chairman of Renault, has been indulging recently in an uncharacteristic media display.

On Sunday evening he appeared as the star performer in a prime time television programme. On Monday he was on French radio as the main guest of a popular chat show. Most of this week he is wining and dining journalists from all over the world on Renault's floating executive dining room—a barge which sails up and down the Seine between the car group's Paris headquarters and the Place de la Concorde, a remnant of the golden days when Renault was regarded as a symbol of all that was best in French state industry.

Although Renault remains probably the single biggest industrial headache for the French Government, Mr Besse, brought in to rescue the group 18 months ago by the Socialists, is beginning to feel more confident. "The horizon is now clearing," he claims, despite Renault's still catastrophic level of debts totalling FFr 60bn (£6.3bn) (the equivalent of half the group's annual turnover) and expected losses of about FFr 5bn this year.

To recover fully, Renault officials argue, the group will inevitably require a very hefty injection of state funds which its state shareholder is currently reluctant to make. In fact Renault is unlikely to get any extra state aid beyond the annual FFr 3bn capital grant it has received over the last few years—at least until after the 1988 French Presidential elections.

Clearly, Renault is not out of the woods yet. Losses this year remain substantial, but there are now signs that Mr Besse's cure for the troubled group is having an impact. The projected FFr 5bn loss for 1986 represents a major improvement on the record deficit of FFr 12.5bn in 1984 and FFr 10.9bn last year, when Mr Besse loaded the balance sheet with heavy restructuring loss provisions. He seems confident that financial performance will continue to recover, enabling Renault to return to the black by the last quarter of next year.

Morale inside the state group, which was at rock bottom two years ago, is starting to improve. In France, where Renault suffered a major image problem, sales have been recovering in an improving French market, while penetration of the European passenger car market is expected to increase gradually to 11 per cent this year from 10.7 per cent in 1985. But this is still a far cry from the 14.6 per cent share Renault had in 1982 when it was number one in Europe. It is now number six.

Productivity at Renault's French plants has improved dramatically following a Draconian job reduction programme under which the group has shed 25 per cent of its French

Productivity has improved dramatically

car workforce in barely two-and-a-half-years. Worker productivity has risen from 10.8 cars per worker a year in 1985 to around 13.6 cars in 1986. At the same time, production, after falling in 1984 and 1985, has picked up again.

Between 1984 and 1985, production fell by 8.5 per cent while the workforce declined by 8.8 per cent. This year production will rise by 15 per cent while the workforce will continue to fall by about 8 per cent.

Mr Besse, whose priority has been to re-focus Renault around its core car manufacturing activities—with the emphasis on profitability rather than volume—has also managed to bring down steadily the point before interest payments at which the group breaks even on car production. Two years ago, this point of more than 2m cars was higher than total production. It has since fallen to 1.4m cars this year with a target of 1.2m next year. Renault's current annual production in Europe is 1.6m cars.

In a similar vein, as part of Mr Besse's efforts to cut costs, stocks have been brought down from 150,000 cars in 1984 to 117,000 last year and should fall to 93,000 this year.

Investment spending has also come down from about 10 per cent of total sales to around 6 per cent. But Renault believes this is a sufficient level to sustain its product and plant modernisation programmes.

"We now have one of the youngest and most complete car ranges on the market. We are certainly not looking to increase volumes or build any new plants. Ninety per cent of our investments are now concentrated on our car products," explains Mr Jose Dedeurwaerder, Renault's commercial director and former chairman of American Motors, the US car maker 46 per cent owned by the French state group.

The improvement in Renault's overall outlook would have been impossible without the tacit consensus of its labour unions—an illustration of a major evolution in French labour relations over the past few years.

Barely three years ago, Renault was still seen as a bastion of the pro-Communist CGT union. With its reputation of never having sacked a worker since it was nationalised immediately after the war by General de Gaulle, Renault represented a special, dying breed of industrial relations.

"With the exception of our Billancourt complex in Paris, our plants have never been so peaceful in 25 years," remarked a senior aide of the Renault chairman.

"By appointing Besse at the head of Renault, the Socialists in a sense denationalised Renault. Besse has demystified the idea that Renault was a special case in French industry and turned it into a company like any other company which must earn its keep," said a government official in the current right-wing administration which reconfirmed Mr Besse in his job.

Helped by the steady decline of the Communists—confirmed yet again in the senatorial elections last Sunday when the Communists lost nine of their 24 seats in the upper house of the French parliament — Mr Besse managed to launch his restructuring programme without facing a serious head-on confrontation with the unions.

Renault also undoubtedly benefitted from the decision by Jacques Calvet, the chairman of the Peugeot group, to force a clash at Talbot with the French unions three years ago. The Talbot affair was the catalyst in changing government and union attitudes to restructurings in the French car industry.

"Peugeot today is now well on the road to recovery. Two years later, the first tentative signs of recovery are beginning to show at Renault," a government official said.

Since Mr Besse took over at Renault, there has been constant speculation about his intentions towards the company's diversified operations including its loss-making truck division, its tractor and farm machinery operations, and its commitment to the North American market through AMC. Mr Besse makes it clear that he wants to see all his subsidiaries make profits eventually.

So far he has shed or halted chronic loss-making operations like the group's car assembly operations in Mexico and its majority stake in the electronics components venture Bendix with the US Allied-Signal group. Other assets are likely to be sold or discarded in the future, although the size and national significance of the truck and tractor manufacturing operations have clearly limited his room for manouvre. But as separate subsidiaries, Mr Besse has placed the onus on both the truck and tractor divisions to resolve their own problems and cut their losses.

Indeed, the restructuring of the truck business, including major reductions in the workforce, was launched before the reorganisation of the main car division and Renault Vehicules Industriels (RVI) is expected to reduce its losses to around FFr 1bn this year from FFr 1.5bn last year and FFr 2.98bn in 1984.

The farm machinery business has also reduced its losses which are expected to total less than FFr 100m this year.

Mr Besse may have initially been tempted to consider hiving off AMC, in which Renault has invested $750m since it acquired its initial stake in the US car maker in 1979. But he now seems to be adopting a cautious "wait and see" attitude—as long as Renault needs to advance no fresh cash to its American venture. AMC continues to lose money (Mr Dedeurwaerder says losses this year will be heavy, but less than $100m) but is about to see a significant renewal of its car range and the opening of its new $650m production facility at Bramlea in Ontario.

Moreover, AMC has recently managed to raise $200m on Wall Street through a public offering of convertible preferred stock not guaranteed by Renault. This, coupled with the conversion by Renault of AMC bonds and other securities, has injected more than $300m of fresh capital in AMC.

While the mood has un-

But a heavy debt burden remains

doubtedly improved at Renault, the company remains strapped by its huge debt burden. Although Mr Besse says that Renault has now managed to halt the rise in indebtedness for the first time in 15 years, any lasting financial recovery must inevitably involve a major restructuring of its balance sheet and its FFr 60bn debts.

But there are unlikely to be any spectacular developments in the near future. At this stage, the French government does not seem inclined to launch a major restructuring exercise which would involve between FFr 15bn-FFr 20bn to restore the company to balance.

For Mr Jacques Chirac, the conservative prime minister, the main objective appears to be that Renault should continue its slow but steady recovery and not turn into a potentially damaging electoral issue before the 1988 presidential elections he hopes to win. Mr Besse's brief thus seems to be to pursue his plan, cutting costs and improving productivity without rocking the boat at a time of delicate political cohabitation between Mr Chirac and President Mitterrand.

Unlike the Thatcher government's impatience to rid itself of the burden of Austin-Rover, the French conservative administration has so far adopted a cautious aproach over Renault which, despite its losses, remains a national institution in France. Privatisation of all or part of the company is regarded as inconceivable by both the Government and Mr Besse. While the state will be forced eventually to support a major restructuring of Renault's debts, this is not likely to happen before the presidential elections for political and budgetary reasons.

Renault will probably receive next year the same level of direct state aid which it received last year—FFr 3bn. There appears to be little hope of more substantial state handouts in the immediate future.

After the 1988 elections, however, the group's state shareholder will face two possible options.

The first would be a swift restructuring of Renault's balance sheet by a major injection of funds, using money raised by the Government's privatisation programme. This is designed to raise about FFr 40bn-FFr 50bn a year from the sale of state assets over the next five years. It could equally decide to continue its current policy of moderate support, placing more pressure on Renault's management to cut costs and hold down debts. This second option would undoubtedly mean that Renault's full recovery will take longer to achieve. The choice will also clearly depend on the outcome of the 1988 elections.

Against this background, the burly and plain-talking Mr Besse makes it clear that Renault's main task is "positively simple," as he puts it. "The only way to reduce debts is to earn money and spend less."

Renault, he suggests has a big advantage over its competitors, in returning from the brink of disaster two or three years after them. "When you are poor you can't afford to make mistakes. And perhaps Renault can profit from the mistakes which its richer rivals will make," he likes to say with the peasant common sense from his native Auvergne.

Men and Matters

Botts finds a niche

If Citicorp was reeling from all the resignations at its London office yesterday, at least one person knows what the future holds. "I shall be running the smallest niche firm in the world," chuckled John Botts, after announcing his intention to start up his own investment banking business.

That may sound a bit of a comedown for the man who helped put together Citicorp's entry for the Big Bang—the biggest by any foreign bank. But Botts, who is a good-humoured 45, has reached the age where he thinks life will be more fun outside the bank, doing his own thing.

He is setting up an investment company in conjunction with Allen & Co, a Wall Street investment firm. It will be based in London and will specialise in the more challenging types of corporate finance: leveraged buy-outs, venture capital and so on. His company will have about $3m in capital and will stake its own money on deals.

Botts was specially keen to stay in London, where he has lived for 13 years. "You'd be crazy to leave with all that's going on," he said. This will be the second major career change for him. He used to be a professional tennis player on the international circuit. "But that was before you had to be good to do it," he said.

Well grounded

Barber Conable, the new president of the World Bank, is either a very cultured man or he owns an impressive dictionary of quotations. His first speech to the annual meeting of the bank yesterday was peppered with the thoughts of the great and the good, ranging from Ortega y Gasset through Francis Bacon to Pope John XXIII.

It was in a quote from Eddie Rickenbacker's grandmother, however, that Conable found the most stimulating challenge. She urged her would-be aviator grandson to "always fly slowly and close to the ground."

Conable says he will not follow this advice in his new post. With the deft way with words of a man who has spent a lifetime in Washington politics, he says that what really matters in his new job is an ability "to be both daring and down to earth."

Edmonds' pitch

Phil Edmonds, the England left-arm spin bowler and cricketing dissenter, has started applying his refreshingly direct and unorthodox methods to the stock market.

His tentative alternative to the proposed Sears takeover of camping equipment retailers, Blacks Leisure may not succeed, but his test match dressing room manner certainly had the Blacks' shareholders, who attended yesterday's unofficial meeting at Lords, enthralled.

Whenever the meeting seemed to get bogged down in the technical detail insisted upon by the merchant bankers, Edmonds would leap in with an "OK boys we're starting to think negatively here" or "look I'm sure these Sears guys are good fellows, why can't we just sit down and sort something out."

But the Middlesex and England star is more than just a show-biz front man for his partner, Harold Winton, and has clearly caught the entrepreneurial bug. He already has two department stores, a property portfolio, a farm in Kent and a restaurant to show for it.

He admits that "while I'm fannying around playing cricket I tend to be more of a catalyst for deals" but there is clearly a cricketing Hanson in embryo. "[illegible] it's like those moments when I'm in battle with a batsman like Alan Border, it just get's my adrenalin going."

"If things get really bad we could always ask the TSB for a bit of help."

Job wanted

A month after leaving British Coal "with the job unfinished," Sir Ian MacGregor is still sending out copies of his "cv" on "a world-wide scale" in the hope of gainful new employment.

One day after leaving British Coal, he also ceased to be a member of the board of British Steel, which leaves him out in the cold as far as British establishment jobs are concerned for the first time for many years.

In a quiet chat in his publisher's Mayfair office, MacGregor admitted to having had more than a passing interest in taking over the Health Service. But there has not been a call from the government.

A few weeks ago he told me he was looking for an opening in Washington. But nothing has materialised. Apart from the fact that his age is against him—he has just turned 74—he remarks, "You have an ageing administration there . . ."

His failure to be given the Health Service is hardly surprising considering that he has stuck "enemy" labels on politicians and government officials alike for their perceived lack of support during the miners' strike.

But at least his book looks like having a lively future judging by the massive serialisation of it in the Sunday Times, and the heated reaction to it even before its appearance in the book shops.

Does he have any more books in mind? "You could say I find the publishing industry very interesting," he replies in his typically modest fashion.

Travellers tales

Have you heard about the four businessmen who each ordered a round of sandwiches, plus a jug of orange juice between them, at a London hotel — and were charged £85; or about the chap who hired a typewriter for two hours at a Beijing hotel and paid $60 for the privilege; or about the man who faced a $350 taxi bill for a ride from Athens airport into town instead of the usual $1.50 because he made the mistake of arriving in the early hours of the morning?

These are some of the experiences of readers of the magazine, Business Traveller, who were asked for their worst travelling horror story.

There was also the bucket of ice that cost $18 in a Tokyo hotel; the $75 breakfast in New York; and the 40 francs requested for a souvenir menu in France.

As a friend said, it almost makes you glad to be in charge of the personnel department.

Wasting time

Heard in Throgmorton Street.

"How do you buy a small American bank?"

"You buy a big one and wait."

Observer

William Dawkins writes an open letter to Lord Young

The long, slow snip against red tape

DEAR LORD YOUNG,

We are all as interested as you are to know just what impact your attempt to liberalise and deregulate business life is having.

After all, your nearly two-year-old campaign against official red tape has been held up by the Government as one of the most important components of its drive to improve industrial performance, stimulate job creation and help us all to be more entrepreneurial. Coming after 100 years or so in which successive governments have been busily building up regulations without much thought to the consequences they inflict on business, your deregulation policy represents an historic turning point.

Or does it? Sadly, it is well-nigh impossible to get a clear consensus on this point from the people who really ought to know the answer: the small businessmen who have been complaining for years that their growth prospects are being hampered by scores of seemingly pointless rules. For their own good reasons, they cannot agree on which regulations need reforming, let alone whether their administrative burdens have got any lighter.

The most important regulatory bugbears touch so many conflicting interests that it is impossible to make reforms without provoking a growl from somebody. Take VAT for instance. You have said that if you could win round some of our friends in the European

There is a split between entrenched lobby groups

Community, you would like to raise substantially the level of turnover at which businesses must register for VAT.

Small manufacturers' lobby groups welcome the idea; yet builders are horrified because they want a lower threshold to help quash black marketeers; while small retailers have said the threshold is not the main problem and that you are barking up the wrong tree.

To take another example, your colleagues over at the Department of Trade and Industry floated the idea last year of abolishing statutory audit requirements for small businesses.

The reaction? A split between equally powerful and entrenched lobby groups who wanted more radical proposals, those who did not care; and those that warned against tinkering with a valuable management discipline and source of information on the other small companies they do business with.

Come up with a really good idea that attracts widespread support — like integrating the pay-as-you-earn and national insurance systems — and the whole thing seems to founder under the problem of getting the two government departments involved to work together.

It seems you cannot win. Nobody can fail to sympathise with the considerable practical problems you are up against, but it is sad that all this has stopped you from getting to the guts of really serious administrative burdens like the ones I have just mentioned. By the same token, it is hard to put a finger on exactly who has benefited from your efforts and how.

So how can one count your achievements so far? Certainly, nobody can doubt that the pressure for liberalisation is on. It is cheering to see the establishment, probably for the first time in British government, of an enterprise and deregulation unit like yours, staffed with high-grade people snipping eagerly away at red tape. And the idea that they should actually question the costs and benefits of regulations emerging from government departments makes perfect sense.

But somehow, these admirably enlightened principles seem to get lost on their descent into real business life. New bureaucratic regulations are cropping up almost as fast as your hard-pressed unit manages to get old ones reformed or scrapped.

It is a bit like watching an ocean liner changing course. The rudder has responded to the command, bells are ringing on the bridge, but the bows are taking an uncomfortably long time to move round. Nobody could accuse you of failing to make the intended new course clear. The 80 ideas for making business life less complicated outlined in your last White Paper and the 80 more in the White Paper before that speak for themselves.

The big worry is that so many of them amount to so little. How many businesses will perform better because of a new booklet on PAYE, because of the abolition of restrictions on women's working hours or because the qualifying period for unfair dismissals has been extended to two years, to name some of the deregulation achievements logged in your most recent White Paper?

Ask any small businessman to point to dramatic ways in which his life has been disentangled from red tape over the past two years, and the chances are that you will have to wait a long time for an answer. He might tell you, though, that he still has to fill in at least 15 tax and national insurance forms every time he takes on an employee.

More worrying still, if there has been any improvement, the effect has been cancelled by several big regulatory steps backwards. Look at the considerable new burdens heaped up by the new Data Protection Act, the extension earlier this year of employers' responsibilities for statutory sick pay and the introduction next month of tough new penalties for traders who fall behind on VAT returns.

I entirely accept that there are good excuses. Those backward steps were put in motion before your deregulation unit was set up in its present form, so it could hardly have been expected to try to influence them. Moreover, you have always argued that the burdens imposed by individual regulations are insignificant when taken singly and only important when lumped together.

Your unit deserves sympathy for being, through no fault of its own, in a ticklish position when it comes to demonstrating publicly any real results. It cannot proclaim any big interdepartmental victories it might have made, without creating more enemies in Whitehall. And for obvious reasons, nobody can ever know for sure how many—if any—regulations have been quietly strangled before birth.

All the same, progress is painfully slow.

On the broader point of whether liberalising the business environment really matters as much as the Government seems to think it does, I am even less sure.

Rational small businessmen do not understand VAT, employers' obligations, national insurance and all such red tape trivia. They either take no notice of the regulations and support the black economy or subcontract most of the work to an accountant. I recognise that not everybody can afford the luxury of paying someone else to administer their burdens—though I am surprised at the small size of some businesses that do—but it underlines the point that what matters is not the weight of legislation but how businesses handle it.

No one denies that cutting red tape is important. Yet less regulation cannot be expected to make businesses perform better automatically. That concern would be of no consequence if your deregulation drive was part of a whole series of concerted moves by your colleagues to deal with other and more serious barriers to business efficiency.

However, there is a danger that the Government is putting so much emphasis on reducing administrative burdens that it feels its conscience is clear over things like its failure to implement radical tax reform, to rationalise competition policy and to open public procurement more widely to small businesses.

This last point is one of the few things that unites otherwise fragmented small company representative groups. And US experience shows that a small business procurement policy can actually save money, quite

Deregulation should be in the context of economic reform

apart from stimulating enterprise.

The point is that reducing red tape is only part of the story. The anti-administrative-burdens campaign might even move along faster if it were part of broad and more radical economic reforms of the kind I have just mentioned.

I have no doubt that given patience and a great deal of hard work of the kind already shown by your unit, administrative burdens really will lighten. But there is a risk that, by concentrating too hard on putting the regulatory house in order, basic shortcomings in the architecture might get overlooked.

Respectfully yours,
WILLIAM DAWKINS


Britain's pro-business Employment Secretary, Lord Young

The developing world

Time for Japan to launch a Marshall plan

By Jim Robinson III

THE GLOBAL economy is experiencing anaemic growth, and future prospects appear grim. Many of the world's forecasting entities — for example, OECD, IMF, GATT — have published forecasts that find the larger developed countries near the 3 per cent growth rate, the one most economists feel is necessary to sustain the developing countries at only the no-growth level. Little hope is offered for the 4 per cent or greater growth that would provide stimulation for the developing nations to expand their economies.

This problem transcends economies. We are dealing with a fundamental question of free-world security. Economic decline means hunger, poverty, strife and resultant political instability. In the quest for peace, military power means nothing without economic progress.

Nearly 40 years ago, the visionary military leader and Secretary of State, George C. Marshall, recognised the linkage between economic and military power for enduring peace. In his historic Harvard commencement address, he proposed that the US give financial aid to war-ravaged European countries. Within a year, Congress authorised the European Recovery Programme — better known as the Marshall Plan. Within five years, the nations of Western Europe were substantially rebuilt and were showcases of political and economic freedom.

Today, more than at any time since the 1940s, we need a new version of what Marshall prescribed for the world. We need a new Marshall Plan — a Global Security Initiative.

To counter the threat of instability, the free world goes beyond traditional concerns and partial remedies to consider more ambitious goals. The potential is there to do for Third World economies and the world's economic system what the Marshall Plan did for post-war Europe. But public and private sector leaders need to mobilise their energies together.

No nation is better positioned to spearhead the Global Security Initiative than Japan. With its staggering trade and capital surpluses, Japan has substantial reasons for heading the charge—if only to protect its own business interests, not to mention its national security. With the US spending around 6 per cent of its GNP on defence, Japan's role over time would be to match in economic terms the US military contribution to security.

Indeed, Japan's Prime Minister, Yasuhiro Nakasone, has an unprecedented opportunity to make Japan establish what might well be an historical and enviable first — a country exercising genuine global economic leadership without commensurate military capabilities.

Japan should promote global security by proclaiming an initiative designed to:

● Assist the less-developed countries (LDCs) and, hence, the developed countries as well.

● Increase the stability of the world's economic systems, particularly the international monetary and trading systems.

● Maintain existing open trade and investment and open more markets in both developed and developing countries.

This is a programme of investments and does not necessarily require major new budget outlays by any government.

It calls for current trade and financial flows to be used as catalysts by trade surplus countries, such as Japan, West Germany and others, to generate greater stability and health in the free world's economic systems. No one country can assume this burden. Given the relative size of Japan's economy to, say, West Germany, Japan is the potential greatest actor.

Specifically, what can Japan do to achieve the initiative?

The Export-Import Bank of Japan might supplement existing programmes to finance imports into Japan, particularly from LDCs. It might also finance LDC exports to markets other than Japan, including other LDCs.

Japan could take the lead in funding a global investment agency to guarantee public and private sector untied loans and equity investments from developed countries to the poorest LDCs.

Japan is a major importer of oil. It might consider even further acceleration of its purchases of oil from developing producer countries, such as Mexico, that have been hard hit by the decline in oil prices.

Japan might also further boost its contributions to the capital of the International Monetary Fund, the World Bank, International Development Association and other international financial institutions.

At the same time, the "Buy Foreign" idea advocated by Mr Nakasone might be expanded into a "Finance Foreign" policy. Likewise, Japan might consider taking the lead in creating new regional export-import banks.

It is critical to note, too, that the deployment of Japan's surplus savings exerts considerable pressure on the world economy, because much of these funds are now invested in short-term, dollar-denominated assets. The economic system is vulnerable to rapid withdrawal of such assets. Therefore programmes have to be designed to "sterilise" some of the hot money. For example, the Japanese could encourage placement of their private and public funds in longer-term dollar denominated assets through direct ownership of productive facilities.

Recently the Japanese have shown that such ideas are gaining ground. Witness, for example, Mr Nakasone's instructions to his ministers to establish a timetable for further opening the country's financial markets to foreign companies. However, the progress has been piecemeal.

All nations must play a role in implementing the Global Security Initiative. Early action by Japan, however, could mobilise a collective response.

As in General Marshall's day, the security of non-Communist nations is today imperilled by challenges that will not yield to simple military strength. As world trade languishes and developing nations struggle with their debt obligations, dreaded enemies born of economic decline gather strength across the globe.

Mr Nakasone might wish to crown his career as a statesman by announcing Japan's intention to implement a Marshall Plan for today. The timing would be excellent, because time is running short — tick by tick.

The author is chairman and chief executive officer American Express.

Letters to the Editor

Shareholders on the sidelines

From Mr G. Simonds

Sir,—The series on the Allied-Lyons defence last week made dramatic reading. What struck me, from your report, was how peripheral to the whole affair the poor old shareholder seemed to be. While everyone is worrying about which way up the ice cream cone is, or how to trap the other side's professionals into a mistake with the Takeover Panel, it becomes all too easy to forget that in the final analysis it is the shareholder who decides.

There is a striking parallel with politics where the participants frequently struggle to make esoteric points against one another which are of virtually no interest to the public.

Your article was a fascinating insight into how the professionals treated one another and the company. Let us have another one that looks outward and describes the communication with the ultimate decision-makers, the shareholders.

Gavin Simonds,
Phillips & Drew
Corporate Finance,
120 Moorgate, EC2.

A tax reform nobody needs

From Mr D. G. Lindsay

Sir,—Unfortunately, Michael Prowse (September 22) uses terms such as "earning," "work," "employed women," "two-earner couples," "benefit" and "help" in his attack on the green paper on personal taxation that succeed only in clouding the issues.

Income tax, it need hardly be said, is a tax on income, i.e. income from all sources, of which "work" is merely one. Further, income tax is not intended to provide "benefit" or "help," except insofar as it provides part of the resources from which Government relieves poverty.

An income tax system is an acceptable one if, and only if, it is a just one. In particular, a system is not just if it does not accord tax exemption to what is the necessary basic support income of every individual, regardless of whether such income technically "belongs" to that individual or is provided by a spouse or parent. Nor is it just unless this tax exemption, or allowance, is the same figure for everyone, the only exception being that it may be lower for children (to take account of child benefit) and higher for the disabled. Justice also requires that this allowance should be such as to ensure that no support income below what is regarded as the poverty level is subject to income tax.

It follows, therefore, that in addition to moving to complete separate taxation, the married man's allowance must be abolished and transferable allowances, not only between spouses but also between supported children and parents, must be introduced. There is no case for compensating couples whose allowances will then reduce from 2½ to two. They have enjoyed a good run, but it is now time for justice to prevail.

David G. Lindsay,
36 Orchard Coombe,
Whitchurch Hill, Reading.

Creating jobs from venture capital

From Mr C. Fry

Sir,—I refer to the Lombard column (September 29) concerning Business Expansion Scheme investments and the latest issue which we are sponsoring, namely that for Dix Belgravia plc.

Alice Rawsthorn says that the scheme was introduced "as a means of providing launch capital for young companies, thereby creating new jobs and boosting high technology." Many financial commentators make this sort of comment and undoubtedly the scheme was devised to help new companies and to provide employment. However, I do not think that anyone has specifically said that the idea was to "boost high technology."

As the leading sponsor of BES issues during the past financial year, my company has considerable experience of what the public wants and what provides a good investment. Basically what they want is maximum tax relief, with minimum risk and maximum financial reward. Given these parameters, it is reasonably self-defeating to ask people to invest in a high technology company based in the north-east of Scotland which will create 100 jobs. Nobody would invest in it and therefore the jobs would not be created.

What tends to be overlooked is the number of jobs which are actually created by some of the companies involved in non-high technology such as property development and the operation of hotels and restaurants. It is interesting to note that one of the first large BES issues which we sponsored in late-1984 is a residential property development and building company which currently gives work to over 150 people on a continuous basis. Are not the jobs of these people just as relevant, as far as the legislation is concerned, as the jobs of high technology employees elsewhere?

During the past financial year we raised considerable capital for companies concerned in hotels, public houses and restaurants. All three of these activities are very service-oriented and consequently provide a high level of employment for each pound of venture capital employed. This is a point which seems totally to escape the understanding of most commentators.

Alice Rawsthorn also states that "the Government has tried to weed out the unscrupulous sponsors and directors who have profited from BES." I am all for weeding out unscrupulous sponsors but, in fact, they quickly destroy themselves since it is only by offering good value for money that a sponsor blossoms and grows.

With regard to the directors of the companies we sponsor, we always give them a large incentive as we believe that this is in the best interests of investors. The directors are giving up five years of their life to further the interests of themselves and investors and provided these interests are one and the same, it must be sensible that directors profit from success of the company for which they work.

To end on a brighter note, my company has perhaps more experience of Business Expansion Schemes than most and we believe that they are fulfilling a large part of the function intended by the Government. The large prospectus issues which we and others sponsor are merely the tip of the iceberg, which contains beneath the waterline a much greater number of small companies financed to the extent of between £50,000 and £100,000 by small groups of private individuals. Both these companies and the companies we sponsor create employment and promote the spirit of entrepreneurship which is a basic platform of the current Government's philosophy.

Charles Fry.
Johnson Fry,
36 Jermyn Street, SW1.

Sloppy mentality of whining Britons

From Mr G. M. Simon

Sir,—Your correspondents, Mr Denis MacShane of Geneva and Mrs Sheila Halsall of Market Drayton (September 23) sounded pretty miserable in complaining so bitterly about Terminal 4 (no intelligent magazines or serious books), the Underground (a national disgrace), and the train service (30 minutes to 2 hours late).

On the same day I caught the train from Cheltenham to Birmingham which was exactly on time at both points. It was perfectly clean and had a cheerful buffet and conductor. Last week when flying from London airport I travelled there on a Tube that was as clean as any I have been on abroad, and I managed with no great effort to buy at the airport a copy of the Financial Times and a sufficiently highbrow book.

It was, I believe, an Australian who said that you could always tell a plane from England when it arrived in Australia because you could still hear the whining inside when the jet engines had been switched off.

No-one supposes that there is nothing scruffy to be seen in British transport or public facilities but where they are filthy it is because British people have made them so by dropping rubbish on the floor. This behaviour is no fault of Mrs Thatcher but is an indication of the sloppy mentality of those who believe they need a national nanny to look after them. Mrs Thatcher's great achievement has been to remind us all that there are many things we ought to be able to do for ourselves.

G. M. Simon.
Princes House,
48, Temple St, Birmingham.

Reading between the lines

From Mr M. Goldman

Sir,—Greenwich Council is either disingenuous in claiming that it did not know of the re-siting of the westernmost of the three towers planned for Canary Wharf (September 24) or it is regrettably ignorant of what has been going on.

The London Docklands Development Corporation may well have been at fault for not telling the council formally of this re-siting but everyone who has been following the Canary Wharf controversy should have known that the developers had bowed to public pressure in re-siting the tower so that it is not on the main axis of the view over the Queen's House and the Royal Naval College from Greenwich Park. The original sketch showing what the view would be like appeared in the press in November last year and a revised drawing appeared in May 1986.

Joan Gray's article may have been technically wrong in referring to "a last-ditch attempt" on the part of the council but I was at the same press conference and I think that she did a very good job of reading between the lines of the misleading impression that Greenwich Council tried to create. Even though I disagree with it, I can see that the council and the other objectors have a very good case against the Canary Wharf development and the way that it is being steam-rollered through, but they spoil that case by trailing red herrings.

Michael Goldman.
1 Lyndale Close,
Blackheath, SE3.

FINANCIAL TIMES
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BRITISH LABOUR PARTY LEADER ATTACKS 'MALICE AND MEANNESS'

Kinnock appeals to 'moral majority'

BY PETER RIDDELL, POLITICAL EDITOR, IN BLACKPOOL

MR NEIL KINNOCK, leader of Britain's opposition Labour Party, yesterday capitalised on the remarkable unity of his party conference in Blackpool to launch an emotional appeal to the "moral majority" in Britain.

He also used his hour-long speech to offer reassurance to the US that his party's non-nuclear defence policy did not affect Labour's support for the Nato alliance and for maintaining US intelligence facilities in Britain. Yet he also sharply attacked US policy on Nicaragua and South Africa.

Mr Kinnock's speech contained little of substance on policy and instead concentrated on certain moral themes, on which he displayed all his considerable oratorical skill. He said there was "a great grouping that opposes the malice and meanness of Toryism" as shown by high unemployment and cuts in social services. "There is a moral majority. It is not narrow, bigoted, self-righteous. It is broad-minded and compassionate."

His appeal to the party to look to that "moral majority" was very warmly received. At the end there was, curiously, even chanting of "here we go, here we go" reminiscent of the 1984-85 coal miners' strike and football terraces.

Throughout the conference, delegates have recognised that this may be their last meeting before the next election, which must be held by June 1988 at the latest. There has been a general sense of unity on policy and behind the leadership as well as confidence in the party's prospects after the disaster of 1983. In striking contrast to the bitterness of many previous Labour conferences, debates this year even on major issues have gone by largely unnoticed.

Mr Kinnock's position was further strengthened yesterday when the annual elections for the national executive committee further tilted the balance to his supporters away from the hard left. MPs Mr Eric Heffer and Mrs Margaret Beckett were both replaced and the votes for hard left candidates generally fell, reflecting a shift in the views of local party activists already indicated by their sizeable vote on Monday for the explusion of Liverpool supporters or the Trotskyist Militant Tendency. The hard left's isolation has also been reflected in the lower attendances than in previous years at their many fringe meetings.

Mr Heffer is being replaced in constituency section by fellow MP Mr Tam Dalyell, a persistent campaigner against Conservative Prime Minister Mrs Margaret Thatcher. Despite receiving the backing of the hard left, Mr Dalyell is very much his own man.

With the party behind him, Mr Kinnock dealt with the controversy over recent warnings by US officials about the danger to Nato produced by the party's non-nuclear defence policy including the removal of US nuclear bases from Britain.

He said that Britain would remain a "full and firm" member of the alliance and he was sure that the US Administration accepted that any attempt to subordiante the policies of a democratically elected Government would be invalidating the very principles of democracy and sovereignty that the alliance exists to defend.

Mr Kinnock said, moreover, that the US recognised that Labour did not propose to withdraw the intelligence and protection facilities in Britain that are essential to the natural interests of the US and the collective interests of Nato.

"We are allies and we discharge our obligations." With only a few shouts of dissent, he said this demonstrated that "we play and will continue to play our part in providing security for American people and no US Government would want to sacrifice that."

Mr Charles Price, the US Ambassador to Britain who was in Blackpool for the speech, defended the comments of the Reagan Administration. He said it was right to state what the US views were and what it considers to be the disadvantages of the pursuit of Labour's policy

Conference report, Page 11; Editorial comment, Page 16

Peugeot chairman expects substantial profit rise

By Paul Betts in Paris

PEUGEOT will report a substantial rise in net consolidated group profits this year, Mr Jacques Calvet, chairman of the private French car group embracing the Peugeot, Citroen and Talbot marques, indicated yesterday.

Although Mr Calvet gave no precise figures, profits are expected to range between FFr 2bn and FFr 3bn ($300m) according to French international financial analysts. The Peugeot group reported net earnings of FFr 543m last year after accumulating losses of more than FFr 8bn in the previous five years.

Mr Calvet, who said that the group's Citroen division was also expected to break even or show a small profit this year, claimed that the Peugeot group had now recovered and was "ready to take off."

The recovery of the private car group coincides with the first signs of a recovery at the troubled state-owned Renault group whose chairman, Mr Georges Besse, said on Monday was expected to return to the black by the last quarter of next year.

Mr Calvet emphasised yesterday that Peugeot now intended to "double its efforts" to improve its competitive position. While earnings had recovered they were still weak compared with Peugeot's main international rivals.

The Peugeot chairman said group debts had been stabilised at FFr 32bn to FFr 33bn. He added that his target was to bring down Peugeot's annual debt service charges from 4.2 per cent of sales to 3.6 per cent.

The private car group is expected to seek to raise fresh equity next year, although it appears to have ruled out such an operation this year.

Mr Calvet said yesterday that Peugeot's export performance had continued to be sustained during the first eight months of this year. Sales in the European market had increased by nearly 17 per cent so far this year while new registrations on the French market were level with last year.

The group, which is launching at the Paris motor show its new Citroen AX mini, said industrial investments would total FFr 8.2bn this year or more than double the level three years ago.

Mr Calvet also suggested that Peugeot was considering the possible assembly at its Ryton manufacturing facility in the UK of a new model. Indeed, Peugeot seems to be contemplating production of its new Peugeot medium range saloon – code named D-60 – at Ryton, near Coventry in central England, where the French group currently produces the Peugeot 309 model. However, the project of the assembly of the new car at Ryton appears to hinge on negotiations over financing the operation between the French group and the British Government.

Mr Calvet also noted yesterday that the domestic French car market was at last showing signs of recovery

Renault strives for profitability, Page 16

Stora launches $841m bid for Papyrus

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

STORA of Sweden, Europe's leading pulp and paper producer, yesterday launched the country's biggest-ever takeover bid with an offer worth around SKr 5.8bn ($841m) for Papyrus, a domestic rival and Sweden's fifth-largest forest products group.

The new concern will have a combined turnover of more than SKr 18.2bn and a workforce of about 23,650.

It will be the leader in several European markets in its main product areas of fine paper, newsprint, board and market pulp.

The takeover is the latest of a series of major deals in the Scandinavian pulp and paper industry in the last three years, which is being rapidly restructured with the emergence of a small number of more powerful groups in Sweden, Finland and Norway better able to compete on the international market.

Stora, one of the flagship companies of the so-called Wallenberg sphere in Sweden which also includes Papyrus, is acting as the major catalyst for change in the Swedish forest products sector, and its SKr 5.8bn bid for Papyrus follows its SKr 3.6bn takeover of Billerud, another domestic rival in 1984.

Mr Peter Wallenberg, head of one of Sweden's most powerful industrial and financial families, is chairman of both Stora and Papyrus, and Wallenberg interests – most importantly the investor, Providentia and Export-Invest investment companies – will control about 35 per cent of Stora when the Papyrus takeover is completed.

Wallenberg interests at present control about 40.6 per cent of Stora and 35.8 per cent of Papyrus.

Stora said yesterday that shareholders representing some 55 per cent of the shares in Papyrus had agreed to support the bid, which is conditional on Stora's gaining at least 90 per cent of the Papyrus equity.

The Stora offer represents a premium over Papyrus's market value of some 29 per cent.

Stora is offering Papyrus shareholders three options: one new Stora share plus a convertible debenture worth SKr 160; one new Stora share plus a SKr 80 debenture plus SKr 144 cash for each Papyrus share, or 13 new Stora shares for every seven Papyrus shares.

Based on Stora's present share price (SKr 312 for restricted shares and SKr 326 for free shares before Monday's suspension of trading), the first two options place a value of some SKr 600 a Papyrus share, and a value of SKr 580 with the third all-share alternative. Last Friday Papyrus shares were trading at SKr 465.

Mr Bo Berggren, who took over as chief executive of Stora in 1984, said that the most important reasons for the deal were long-term, particularly in the fine paper sector, but the merger would also bring short-term co-ordination benefits of at least SKr 350m a year over the next four to five years.

The main gains would come from the co-ordination of the two groups' operations in five areas, forestry and timber supply, the integration of pulp production, the development of fine paper activities, the co-ordination of board operations and newsprint production.

The deal would significantly reduce Stora's exposure to the wild fluctuations in the world pulp market, and the share of market pulp will drop from some 20 per cent to 10 per cent of group turnover.

Mr Berggren said that the most important future growth area for the new group would be fine paper, where the two already operate a jointly owned sales company, Pegenova in the UK, Denmark, Sweden and Norway.

Both companies already have ambitious expansion plans in fine paper.

PKbanken results, Page 19

Canadian Pacific sells control of Cominco

BY ROBERT GIBBENS IN MONTREAL AND STEFAN WAGSTYL IN LONDON

CANADIAN PACIFIC, the debt-laden transport, natural resources and industrial group is selling for C$472m (US$340m) its controlling interest in Cominco, Canada's second largest mining company.

The bulk of its shares are being bought by a consortium of three loosely associated mining and metals groups – Metallgesellschaft of West Germany, Australia's MIM, and Teck, a fast-growing Vancouver company.

The deal is the latest move in a restructuring of North American mining which has involved conglomerates and oil companies selling out the industry because of persistent low prices and poor profitability.

Canadian Pacific said it was ending its long association with Cominco, which dates back more than 80 years, in line with its long-term strategy of reducing its dependence on the world commodity cycle. In August, the group announced a $362.5m extraordinary charge in its second quarter 1986 figures. It expects to make a $100m extraordinary gain on the Cominco sale.

Canadian Pacific is selling 34.2m Cominco shares, or 53 per cent of the company, of which 14.2m are to be sold to the public. The remaining 20m shares, or 31 per cent of Cominco, are being bought at $14 a share by a holding company which is 50 per cent owned by Teck, and 25 per cent each by Metallgesellschaft and MIM. Canadian Pacific is sweetening the deal by converting a $75m loan to Cominco into preferred shares.

The acquisition is the culmination of several years of commercial co-operation between Metallgesellschaft and MIM, which has included joint ventures in mining, smelting and fabricating. The West German group has also forged close links with Teck, taking a stake in the company and helping to fund its recent rapid expansion, including the development of a successful gold mine at Hemlo, Ontario.

Mr Heinz Schimmelbusch, a director of Metallgesellschaft, said that the co-operation between Metallgesellschaft and MIM did not indicate that a merger of the two was envisaged. MIM, which has heavy debts, is linked to Asarco, the troubled US metals group, by substantial cross-shareholdings, built up, according to some critics of the two companies, to ward off possible takeover bids.

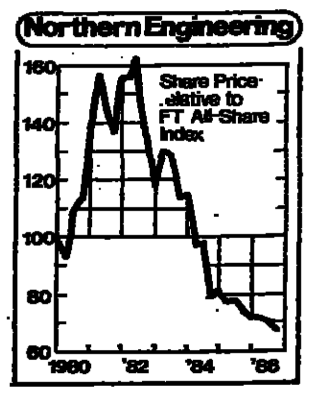
Metallgesellschaft and its partners said in a joint statement that they hoped Cominco could resume its historic level of profitability with initiatives from the new shareholder group. Cominco, which chiefly mines lead and zinc, lost $97.2m net in 1985 on sales of $1.46bn.

It has spent several hundred million dollars modernising operations in the last decade but still has major spending ahead, including the development of Red Dog, a very rich but remote zinc-lead-silver deposit in Alaska. This should eventually replace the ageing Sullivan mine in southern British Columbia, on which much of Cominco's fortune was founded.

THE LEX COLUMN

Power loss in Newcastle

Not encouraging a rise in base rates, and not joining the EMS, made yesterday rather a red-letter feast in the history of masterly inaction by the UK authorities. With some help from EMS central banks, purchasing pounds for all the world as if they were contractually obliged to, the policy paid off. Gilt-edged roared back towards the 10 per cent yield mark, and the most pressing demands for defensive interest rates could be ignored – on the day, at least.



Northern Engineering

Facing up to its lower-key variant of the Westland problem – heavy fixed capital and a predictably tapering order book – Northern Engineering Industries is a brave but painful sight. Although restructuring at NEI is nothing new, the newly-promoted management has had little option but to make another round of cuts. The hope is that total write-offs of some £75m for the year, roughly two-fifths of net worth, will make it possible to shrink the cost-base into line with NEI's prospective turnover.

That is by no means unreasonable. Trimming the unprofitable diversifications in the US, and reorganising the basic engineering capacity should position the group to make the best of its opportunities. And NEI would be laughing if it could push its orders through at a fast enough rate. The trouble is that a worthwhile increase in the workload appears tied to the chances of landing further contracts for coal-fired power stations in the UK, and NEI could still be waiting for the orders at the end of 1987.

Just under two years ago, when NEI had written off £30m, the shares looked almost irresistible on a yield nearly six points above the market. Investors who are weighing up the chances of a real recovery after this latest deck-clearance will remember only too well that NEI has underperformed the market by nearly 30 per cent since the end of 1984. The extra yield has by no means compensated for that.

Laura Ashley

For the wonder stock it is and deserves to be, Laura Ashley produced a superficially unexciting maiden set of interim results: growth in after-tax earnings of just 11 per cent would not normally command double the market rating. But as the store sector's only significant dollar-earner, translation of profits or changes in US corporate taxation can have a quite dramatic effect on Laura Ashley's earnings and rating. Since the currency translation loss will probably be reversed in the second half, and the tax charge fall back next year, the underlying performance is more interesting; and sure enough, Laura Ashley is turning in sales and earnings growth of 30 per cent, or twice the industrial average.

The overseas dependance is compounded by tourism: with so many Americans staying away from Oxford Circus, underlying volume growth in the UK was a mere 5 per cent against double figures in the US and Europe. But Laura Ashley can probably go on opening stores in the UK for at least two years without tinkering much with its product range. As for North America and Japan, the edge of Laura Ashley's market is miles out of sight, and there is no cash constraint to store expansion; indeed, a secular decline in sterling will reduce Welsh manufacturing costs as a proportion of overseas sales and increase profitability.

In turning its European operations into profit, Laura Ashley has solved its only immediate management problem. The challenge it faces is rather longer-term: to broaden the formula to delay saturation in the UK and, above all, to keep it fresh. The heavy manufacturing overhead, however necessary to protect the quality of the fabrics, makes Laura Ashley vulnerable to a fall in demand. But the market has few doubts: at 176p, up a penny, Laura Ashley is valued at 23 times this year's probable earnings.

Spain

Bull markets, like waves, manage to find their way into every opening, however small. And the smaller the inlet the more frothy the sea. A few years ago it was the Finnish equity market which was soaked by foreign money. Past 12 months Madrid has outperformed all other exchanges, having risen over 150 per cent in local terms. The usual currency risk for the foreign dabbler in obscure markets has been in this case an added benefit, thanks to the strength of the peseta.

But the actual profits made by foreigners must be miniscule in absolute terms. If daily turnover in equities exceeds £30m in value then it is a very busy day on the Bolsa. This is still a market dominated by the Spanish small investor, with just the one price fix at lunch time, and a settlement system that has caused some exasperation to outsiders. The settlement problem is nowhere near as bad as in Italy, but a market in which each trade must be physically rubber-stamped by both a bank and a broker is finding it difficult to cope with volume running about four times last year's levels.

The arguments for investing in Spain remain persuasive on both fundamental and weight of money arguments. Inflation and interest rates seem set for further reductions, while the fall in the oil price is of particular benefit to the Spanish economy. The creation of privately managed pension funds is likely to encourage local institutional investment, and the budget's removal of tax breaks for fixed rate stock should switch flows of funds into an equity market which has hitherto been a peripheral form of funding local industry.

But at 14 times prospective earnings the market is now doing a reasonable job of discounting recovery, as is recognised by the inability of the Bolsa to remain over the 200 point hurdle breached at the beginning of September. The sheer strength of the market may be causing outsiders to take profits, if only to re-balance their weighting in Spanish stock.

Trade partners attacked

Continued from Page 1

banks to play their role in providing new funds to developing countries.

While welcoming the growth orientation of both the IMF and the World Bank and calling on the IMF to put even more emphasis on market – orientated structural reforms, Mr Reagan said: "It is important that these programmes ... be fully supported by commercial banks."

Mr Reagan characterised the world economy as having reached a turning point. Arguing that the world had enjoyed 40 years of prosperity since the establishment of the World Bank, the IMF and the General Agreement on Tariffs and Trade, Mr Reagan said: "Today each of those agreements and institutions has come to a turning point."

The presumption at the time of their establishment of "America's singular strength" is no longer valid now that "Europe and Japan combined have had a role equivalent to that of the US in world trade and an increasingly important role in finance. Many other countries," he went on "are growing rapidly, may soon become fully industrialised and may expect to play more prominent parts as well."

"The challenge before us is to develop a truly global economy," Mr Reagan concluded.

Bundesbank helps UK to lift £

Continued from Page 1

on the same day to defend sterling, at least partially neutralising the West German action.

Officials in Washington indicated that the Bank had previously operated in the sterling/dollar market because sterling/D-Mark trading in London was too thin to allow it to intervene effectively. Yesterday, however, both the German and British central banks limited their action to sterling/D-Mark trading in London and Frankfurt.

The co-operation heightened speculation that European governments might be seeking to operate an informal system of unannounced target zones for their currencies against the dollar.

Senior European monetary officials, however, said that it reflected a much more general consensus to iron out violent fluctuations and, in particular, the need to avoid a realignment of the European Monetary System.

Britain also faced the specific pressure of resisting a politically-damaging rise in base rates just before the Conservative Party conference.

The US, however, has made clear that it will not participate in any joint move to stabilise the dollar rate, raising doubts about the long-term effectiveness of European action.

Yesterday's intervention helped sterling to regain 3 pfg against the D-Mark pushing it up to DM 2.9325 in London. At the same time, interest rates in the UK money markets weakened, with three-month interbank rates falling by ⅛ percentage point to 10⅝ per cent.

This is still well above bank base rates of 10 per cent and many dealers remain uncertain that the authorities will be able to avert a rise in rates. The markets' earlier conviction that rates would inevitably have to rise has, however, been severely dented.

In New York, meanwhile, the dollar jumped almost 2 pfg to DM 2.0345 after an improvement in US trade figures. It subsequently drifted back and gains in the US bond market were limited.

The Bundesbank's decision to come to the aid of the pound had a strong effect on dealers' sentiments.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Gorbachev and Reagan to meet

Continued from Page 1

Mr Gorbachev and other Soviet officials have said that the Geneva summit was useful because it improved the atmosphere between the superpowers but that another meeting would be pointless unless a measure of arms control could be agreed.

It was the arrest of Mr Zakharov on a charge of espionage in New York on August 23 which apparently led the Soviet authorities to detain Mr Daniloff, correspondent of the magazine US News and World Report, exactly a week later in Moscow. Mr Daniloff and the US Government maintained that his arrest was on fabricated evidence and President Reagan said there could be no summit as long as Mr Daniloff was held.

The Daniloff affair has overshadowed the meetings in New York between Mr Shevardnadze and Mr Shultz, which were always seen as critical to the arrangement of a summit.

The sustained Soviet effort to defuse the Daniloff affair, having first apparently underrated the strength of US reaction to his arrest, has underlined Mr Gorbachev's desire for a second meeting with President Reagan.

The release of Mr Orlov, one of the most prominent dissidents in the Soviet Union, was clearly the key Soviet concession to obtain the release of Mr Zakharov.

Mr Orlov was formerly founder chairman of a committee set up in 1976 to see that the Soviet Union abided by the terms of the Helsinki agreement on human rights. He was arrested in 1978 and sentenced to seven years in prison followed by five years internal exile. He has complained of mistreatment at his camp in Perm in Siberia and has reportedly been on hunger strike to protest against conditions.

JOBS

Organisational stupidity • Executives' pay

BY MICHAEL DIXON

"THE IMPORTANCE of a job is inversely proportional to the length of its title."

So states one of the formulas kindly submitted by over 100 readers as prospective additions to the 11 laws of organisational stupidity, which the Jobs column listed on September 4. There are clearly more varieties of organisational daftness than I had ever imagined. But while delighted by the response, I must beg patience from the majority of the senders who said they wanted another full-length discussion of the topic very soon.

For one thing as self-appointed keeper of the laws I feel duty bound to think carefully about all the submissions before admitting them to the canon. Since some are supported by lengthy and learned explanations, that takes time. It pays off, however, because I have learned that formulas which at first sight seem highly plausible, can easily be untrue.

A case in point is the one I started with today: "The importance of a job is inversely proportional to the length of its title." The flaw is that besides entailing that a managing director is less important than a tea lady—which I can accept, it rules that a chairman is more important than a chargehand—which I can't.

But the main reason why further discussion of laws of organisational stupidity must wait for a few weeks is that the autumn salary survey season is upon us. Hence the accompanying table, which is compiled from the latest of the twice-yearly studies made by the Reward consultancy.

Most senior manager below rank of director* in:	Lower quartile Basic salary £	Lower quartile Total money reward £	Median Basic salary £	Median Total money reward £	Median (Basic year earlier £	Median Total year earlier) £	Upper quartile Basic salary £	Upper quartile Total money reward £
General management	19,284	20,650	24,063	24,515	(21,600	21,600)	29,940	32,000
Advertising and public relations	19,275	19,485	22,125	22,125	(24,254	26,092)	25,798	28,048
Legal advice	17,219	18,633	21,883	22,123	(21,101	21,311)	25,148	26,203
Scientific department	17,855	18,213	21,000	22,000	(19,321	19,801)	27,341	27,905
Administration	16,570	17,231	19,853	21,329	(15,588	16,595)	24,150	27,042
Finance and accounting	17,445	18,360	20,236	21,000	(19,292	20,000)	25,000	26,263
Company secretariat	16,252	17,810	19,350	20,000	(17,750	18,142)	23,539	26,100
Marketing	16,560	17,278	19,500	20,000	(18,527	18,668)	23,593	24,950
Computing	16,000	16,608	18,960	19,671	(17,750	18,000)	23,400	24,284
Sales	15,500	16,187	17,755	19,250	(16,763	17,602)	21,093	23,030
Personnel	16,219	16,345	18,098	19,090	(17,162	17,450)	21,245	22,520
Purchasing	15,386	16,579	18,428	18,717	(16,000	16,117)	20,313	20,525
Research and development	15,121	15,153	18,000	18,346	(17,040	17,194)	20,957	22,659
Engineering	15,000	16,156	17,148	17,784	(15,797	16,286)	20,145	21,331
Management services	12,450	14,350	16,992	17,000	(16,980	16,980)	21,505	21,505
Production	13,908	14,317	16,207	16,953	(15,400	15,600)	19,238	20,122
Surveying/architecture	14,341	14,341	16,519	16,519	(15,088	15,088)	20,125	20,516
Quality assurance	14,250	14,820	15,298	16,440	(14,730	15,060)	17,500	18,387
All top-rank managers	15,500	—	18,214	—	(17,000	—)	22,004	—

* In smaller companies could be director, otherwise reporting directly to board.

The full survey is based on 17,053 items of information about the pay of managers in the 700-plus organisations which contribute to the study. They represent a wide range of businesses and have operations throughout Britain.

My figures, however, refer only to managers just one rung below board level, except possibly in small companies where they may be directors even though doing essentially the same kind of work. Anyone wishing to know about the other aspects of the survey should contact Reward's Bill Couldrey at 1 Mill Street, Stone, Staffordshire ST15 8BA; telephone 0785 813566.

The left-hand two columns of figures give first the basic salary and then the total money rewards, including bonuses and suchlike but not the value of in-kind perks such as company cars, of the lower quartile manager. That is the executive who would be a quarter way up from the bottom of a ranking of all doing the same type of job at the same level.

The next four columns refer to the median manager placed halfway in the ranking, and give the latest basic salaries and total money rewards as well as the corresponding figures a year previously. Finally we have the current figures for the upper quartile manager who would come a quarter way down from the top of the ranking.

Besides bearing in mind that the indicators in the table are at best approximate, readers inclined to draw conclusions from them should remember that pay tends to vary with such things as company size and location.

For instance, by comparison with the "all top-rank managers" median of £18,214, the regional medians varied as follows. Higher: London by 17.8 per cent; Scotland by 2.1 when the Grampian area is included but by only 0.1 when it is left out; and South-east England by 1.3 per cent. Lower: the North-east by 2.2 per cent, the South-west by 2.4, Eastern Counties by 8.5, the North-west by 8.2, and the West Midlands by 9.3.

The corresponding variations by company turnover are: Higher—£100m-plus by 24.8 per cent, and £40m-£100m by 15.3. Lower—£15m-£40m by 1.3 per cent, £5m-£15m by 7.0, and less than £5m by 9.8 per cent.

In addition, Reward says all the figures should be increased by 1.5 per cent to allow for the time that has passed since the information was collected.

As you see, the highest median "total money reward" among the broad indicators for industry and commerce at large is the general managers' £24,515.

The only tolerably comparable figure I have for total money rewards in London banking is an average, which is usually a good bit higher than the related median. That average—which covers all managerial staff, only some of whom have been lifted into the pay stratosphere by preparations for the big bang—is close to £41,000.

City

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Fenchurch Registrars Limited manages the share and loan stock registers of a number of substantial clients using a modern based computer system. The company is wholly owned by Spicer and Pegler, Chartered Accountants.

Following a period of significant growth, we are seeking to appoint an additional senior registrar who will manage the registration services to a group of clients and be responsible for all aspects of communication with those clients.

Candidates for this new appointment will have several years experience with responsibility for a substantial company's share register or with professional registrars and are likely to be qualified as Chartered Secretaries.

In the medium term, prospects for increasing the scope and responsibility of our senior registrars are excellent. Additional appointments to the Board of this rapidly developing part of the expanding total business of Spicer and Pegler will be made on the basis of performance. The remuneration and benefits package will be negotiable.

Please send adequate details, in strict confidence, with day time telephone number to Peter Willingham, quoting reference LM36 at Spicer and Pegler Associates, Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP or telephone 01-480 6862 for a confidential Career Summary Form.

Spicer and Pegler Associates
Management Services

Area Services Managers

Newly-created management accounting roles with tremendous scope for development

With record performance and growth Sainsbury's continues to lead the food retailing market in the UK. For optimum business efficiency, our 270+ stores are divided into 5 separate area operations which report to Head Office at Board level.

To help each area operate even more effectively, we have decided to appoint Area Services Managers who will provide a comprehensive financial management and administration service to the Area Director with particular emphasis on individual branch profitability and the cost-efficiency of the Area Office itself.

This will involve you in managing the Accounting Administration, Productivity and Engineering sections carrying out both routine reporting and ad hoc investigations on stock results, productivity, labour, engineering and maintenance costs and net profit.

Preferably a qualified Accountant, you must have strong management, organisation and systems skills gained in a large, preferably multi-site, organisation. You should combine commercial awareness with a flexible. analytical approach and the commitment and determination to make the most of the opportunities the role provides. Exceptional communication and inter-personal skills are vital.

In each case, a salary in the region of £18,500 is offered supported by a comprehensive range of benefits including car, BUPA, pension scheme and, after a qualifying period, profit sharing, share option and discount schemes. Assistance will be given with relocation expenses where appropriate. The vacancies are based on offices in Coventry, Romford and Woking.

If you feel you have the right combination of expertise and personality, please write or telephone for an application form to Carolyn Gray, Recruitment Manager, J Sainsbury plc, Wakefield House, Stamford Street, London SE1 9LL. Tel 01-921 7518.

SAINSBURY'S

Board Level Negotiation

Negotiating a concept at Board level is a complex and demanding role. Only people with a high degree of motivation, staying power and professionalism succeed in it consistently.

Exfinco offer a service which is original in concept and has already been taken up successfully by companies in forty-five industries during the last year. To capitalise on this success and maintain our expansion, three New Business Managers are required with at least the abilities described. Our services also indicate a preference for experience in selling a financial concept.

For the best we pay very well and provide the appropriate benefits. Opportunities to grow in management with this young and dynamic company are real, once ability is demonstrated.

Applications, enclosing a detailed C.V., will be treated in the strictest confidence, and should be addressed to: Mr. Dominic Suddaby, Director, The Export Finance Company Limited, Exfinco House, Sanford Street, Swindon, Wiltshire, SN1 1QQ.

THE EXPORT FINANCE COMPANY LIMITED.
EXFiNCO

ORBITAL FINANCIAL SERVICES PLC
As a rapidly expanding Public Limited Company, we are currently looking to recruit
SUCCESSFUL NEW BUSINESS EXECUTIVES
Candidates should be experienced in the Corporate Lease and Hire Purchase Sector, possibly having been instrumental in arranging "Sales-Aid" vendor programmes.
An excellent career path is guaranteed for the right candidate including future equity participation.
A substantial initial salary is offered: bonus and BUPA are also included in the remuneration package.
For an application form, please telephone 04427 73434, or send your CV to:
The Managing Director, Orbital Financial Services PLC,
Orbital House, 111 High St, Berkhamsted, Herts HP4 2DS

Corporate Finance Specialist

City

Corporate Advisory Partnership – as you will see opposite today's Leader page – is a new, totally independent organisation formed to fill an evident market niche: the provision of high quality, objective corporate finance advice entirely free from conflicts of interest. The emphasis will be on corporate planning and merger and acquisition work for large and medium sized clients.

The company is dedicated to the very highest standards of integrity and professionalism. Now, with an increasing workload and the backing of shareholders in North America and Australia as well as the UK, it wishes to augment its small specialist team by appointing a Professional Associate with the potential to earn a directorship and a significant equity stake.

You must have exceptional technical skills and substantial experience in UK domestic corporate finance work plus the drive and ambition to contribute to (and profit from) the development of a new enterprise. You will almost certainly be professionally qualified and/or a business graduate in your late 20's or early 30's, currently working in merchant banking or a major professional firm.

A generous remuneration package is negotiable, probably in the range £50-70K but conceivably more for an exceptional candidate. Please apply in the first instance, and in strictest confidence quoting reference 245/6, to T. C. Walker at Charles Barker MSI, 30 Farringdon Street, London EC4A 4EA. Tel: 01-634 1143.

CHARLES BARKER
SELECTION·SEARCH·ADVERTISING

Company law partner

City firm

C&L

This is a quite exceptional opportunity.

Candidates must have a proven track record, at senior level, in the City, dealing with all aspects of listed company work.

Replies, with full CV's, which will be treated in complete confidence by ourselves and our client, to whom all applications will be forwarded unless a covering letter instructs otherwise, to Gregory T M Hinds, quoting Ref. H574.

Coopers & Lybrand Executive Selection

Coopers & Lybrand Executive Selection Limited
Shelley House 3 Noble Street
London EC2V 7DQ
01-606 1975

Move into Fund Management

This is an opportunity for a young professional with a minimum of two years' experience in the analysis of fixed income securities to move into Fund Management. The Company is a well-respected specialist Investment Management firm and is part of a global network with offices in all the key financial markets of the world.

Working in the London Investment Department, you will enjoy the advantages of excellent in-house training which will lead to early responsibility for the management of your own portfolios. You will be working with the Fund Manager who runs five funds totalling over £60 million including Sterling, US Dollars and Yen Fixed Interest Securities.

The Company is recognised for its superior products and services, for its innovative computerised technology and fine research capabilities. As a result of its standing in the market place, it is able to attract professionals and clients of the highest calibre.

You are likely to be a graduate in your mid 20's who is seeking rapid career development in Fund Management within a stimulating environment. The compensation package offered is highly attractive.

To apply, please write with CV to John Sears, Cavendish Court, 11/15 Wigmore Street, London W1H 9LB or telephone 01-629 3532.

John Sears

INVESTMENT BANKING

A chance to join a fast growing investment bank in a key development role

SETTLEMENTS MANAGER to £30,000

Our client has an ambitious growth programme, which will double its size over the next two years. The role of **Settlements Manager** will strengthen the support services in multi-currency equity, currency and bond trading areas, by providing a senior manager to co-ordinate settlements operations and reporting. This person must have the ability and flexibility to develop the department in line with corporate objectives and the trading departments' growth. He/she will play a key role in the overall structure of the bank's operations area and will need to liaise closely with the New York office.

EQUITY SETTLEMENTS ASSISTANT c£14,000

An opportunity exists for a bright ambitious person with experience in **Equity Settlements** and other types of financial instruments. This represents an opportunity to move up the career and salary scale rapidly in a fast growing organisation.

Interested candidates should contact Jonathan Holmes on 01-606 1706 (lines open until 7.00 pm on Wednesday 1st October) or write enclosing a detailed Curriculum Vitae to the address below. All applications treated in strictest confidence.

Anderson, Squires Ltd
Bank Recruitment Specialists,
127 Cheapside, London EC2V 6BN

Anderson, Squires

Banking and Leasing Executive

Central London **£18–22,000 + mortgage etc**

This is an important position within the headquarters of one of the UK's most prestigious financial groups. It is a developing role in a changing environment with excellent prospects.

Working closely with the central banking and leasing manager you will be involved in all aspects of leasing including negotiations with lessors, advising on lease/purchase decisions, management reporting and the financial and accounting aspects of legal agreements. Additional responsibility for providing a full accounting service for the group's leasing subsidiary could also be included for those applicants with the appropriate experience and qualification.

Projects on the banking side will include reviewing the group's banking arrangements and investigating and discussing with major finance houses the provision of new services to support the group's operations and finance new products.

Preferably aged under 35, applicants should have leasing and/or banking experience. A financial or accounting qualification would be an advantage.

Please write with full career details or telephone David Tod BSc FCA on 01-405 3499 quoting reference D/488/RF.

Lloyd Management
125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

CJA

RECRUITMENT CONSULTANTS
35 New Broad Street, London EC2M 1NH
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

CJRA

CORPORATE FINANCE – EURO-EQUITY PRODUCT SPECIALIST

CITY

NEGOTIABLE SALARY + BONUS + BENEFITS

THE LONDON INVESTMENT BANKING ARM OF A MAJOR EUROPEAN BANK

We invite applications from seasoned Corporate Finance professionals who must have spent at least four years engaged in Corporate Finance with strong equity product orientation with either a UK or Continental Merchant Bank or a US Investment Bank with a proven record in euro-equity distribution. Securities sales experience combined with fluency in one or more European languages will be a definite advantage. The successful candidate, who will work closely with Corporate Finance Department Account Managers in all phases of marketing and execution of euro-equity products, will assume immediate responsibility for taking an effective and leading role in the development, pricing and presentation of euro-equity product ideas to prospective issuers, as well as playing a constructive advisory role in the execution of mandates using understanding of appropriate procedural, legal and mechanical aspects of euro-equity offerings. Initial salary negotiable + performance related bonus, company car + full range of banking benefits. Applications in strict confidence, under reference CF18301/FT, to the Managing Director:

CAMPBELL-JOHNSTON RECRUITMENT ADVERTISING LIMITED, 35 NEW BROAD STREET, LONDON EC2M 1NH.

ACCOUNTANCY APPOINTMENTS

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GENERAL APPOINTMENTS APPEAR EVERY WEDNESDAY

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER
LONDON · FRANKFURT · NEW YORK

BRITISH FILM INSTITUTE

Deputy Director

Scale £26,099 – £29,567

The Institute exists to encourage the development of the arts of film and television. It embraces the National Film Theatre, the National Film Archive and – currently under construction – the Museum of the Moving Image. Other activities include production, distribution and exhibition, preservation, education and grant-aiding. There are over 400 staff and the operating budget is about £14 million p.a.

The Deputy Director's responsibilities span all the central resource and administrative functions including finance, funding and development, personnel and the general management of the Institute. The postholder also deputises for and gives substantial support to the Director in the formulation of the cultural policies of the Institute.

This is a broad based post operating in a complex, changing environment. Applicants should therefore possess a commensurate range of administrative skills and experience in either the public or private sector.

Further details and application form from

Director, British Film Institute,
127 Charing Cross Road,
London WC2H 0EA. Tel: 01-437 4355.
CLOSING DATE 21st October 1986.
We are an equal opportunities employer.

Fund Manager

U.K. Equities

Our client is a major London-based insurance group with a well-established and successful unit trust business. It is also marketing a growing range of related investment and financial services to personal and institutional clients.

To meet the rapid expansion of funds under management our client seeks to strengthen its investment team by appointing a person to manage selected UK equity portfolios. The successful candidate will be a graduate, aged about 25, with at least two years research and management experience in a similar organisation.

The remuneration package will be a competitive one and will include a car and a subsidised mortgage arrangement.

Please send full cv – in confidence – stating current salary to D. Austin ref. B 7005.

HAY-MSL Selection and Advertising Limited,
52 Grosvenor Gardens, London SW1W 0AW.

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MANAGEMENT SELECTION

Top Executives

earning over £25,000 a year

Can you afford to waste over £2,000 a month in delay? Minster Executive specialises in solving the career problems of top executives. The Minster programme, tailored to your individual needs and managed by two or more partners, is your most effective route to those better offers, 75% of which are never advertised.

Our clients have an impressive record of success; many blue chip companies retain our services in the redeployment of their top people.

Telephone or write for a preliminary discussion without obligation—or cost.

MINSTER EXECUTIVE LTD
28 Bolton Street, London W1Y 8HB. Tel: 01-493 1309 / 1085

Ontario

GOVERNMENT OF ONTARIO

COMMERCIAL COUNSELLOR

£14,000 +

The challenge is to develop new business for Ontario. The job is to promote industrial growth through the export of Ontario products to the U.K.

The successful applicant will have a minimum of five years experience in responsible marketing positions in U.K. industry or commerce in the general consumer products area. A background of business experience in Canada or with a Canadian business entity in U.K. or Europe is preferred.

To apply — please send written resume, by October 10th, 1986, including an outline of educational background and work experience in complete confidence to:

Director — Business Development
Government of Ontario
Ontario House, 13 Charles II Street,
London SW1Y 4QS

CAPITAL OPPORTUNITIES FOR YOUNG TRADERS AND EQUITY ANALYSTS

Our clients, a leading securities and investment house, are seeking to expand their equities sales team by the addition of two young traders with not less than two years' experience in European, US or Japanese institutional equity sales.

We further seek young analysts to develop innovative in-house support systems for the sale of equities, gilts and bonds. Please write enclosing full curriculum vitae to:—

Box A0284, Financial Times
10 Cannon Street, London EC4P 4BY

A challenging corporate planning role for an experienced young energy analyst

PLANNING ANALYST

West End — £15,000-£17,500

Total Oil Marine is a prestigious energy company and has already made a significant impact upon the economy as a key supplier of the UK's natural gas resources. We are currently developing an important new North Sea oil and gas field which will provide a substantial contribution to Britain's energy requirements to the next century.
Based at our West End HQ the Corporate Finance Division plays an important role in the management and commercial development of the company. Increased operational requirements within the UK have now resulted in the need for a planning analyst whose role will encompass:

- Long-term corporate planning in liaison with the group Head Office in Paris.
- Appraisal of potential acquisitions of UK oil producing acreage and/or companies.
- Short-term planning undertaken to optimize after-tax returns.

This important appointment is likely to attract an economics graduate who has already gained 2/3 years analytical exposure to the UK energy sector either within the oil industry or a city environment. You will be able to demonstrate complete familiarity with economic appraisal techniques and a mature and professional approach together with well developed communications skills.
There will be excellent opportunities for career development and you will receive the benefits normally associated with a leading energy group. Above all, you will have the opportunity to contribute to the continuing success of an expanding and progressive oil company. For a detailed and confidential discussion contact **Paul Goodman** on 01-387 5400 (or out of hours on 01-954 5242) or write to him at: Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN.

Total Oil Marine

Bringing energy ashore

ASSISTANT DIRECTOR CORPORATE FINANCE

Manchester

The Manchester Office of County Limited, the finance and advisory subsidiary of NatWest Investment Bank, is further developing its advisory activities in the North West.

We seek to appoint an Assistant Director, with a brief to support and expand the Bank's client base in this area. He/she will report to the Regional Director but will have the direct support and commitment of the Bank in London. Candidates must have advisory experience gained in a merchant bank or stockbroker; a knowledge of the North West would be an advantage.

This is a senior appointment that will appeal to experienced executives with a proven track record, together with the confidence and ability to make an immediate contribution in a company which recognises and rewards commitment and achievement.

An attractive remuneration package, including car and low interest loan facilities, will be offered.

Please forward a detailed C.V., together with details of current remuneration to: Ian Carlton, Personnel, County Group Limited, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2ES.

The NatWest Investment Bank Group

CJA

RECRUITMENT CONSULTANTS
35 New Broad Street, London EC2M 1NH
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

Opportunity to embark upon Corporate Finance career with early prospects of increased responsibility and earnings.

CORPORATE FINANCE EXECUTIVE — BANKING

CITY — £16,000 – £20,000

FAST DEVELOPING MERCHANT BANKING ARM OF SUBSTANTIAL INTERNATIONAL FINANCIAL SERVICES GROUP

For this demanding new appointment, the result of expansion, we seek Chartered Accountants or Solicitors, aged 23-27, recently qualified or with one year's post qualification experience. A broad professional training in a leading international firm specialising in the corporate field is essential and experience which relates to corporate finance activities or investigations will be a definite asset. Working within the Corporate Finance Group, the successful candidate will be involved immediately in all aspects of the work of a busy department, including, inter-alia, take-overs, mergers, acquisitions and new issues and will be encouraged, at an early stage to play an increasing role with growing responsibilities. Total commitment is necessary together with communication skills, financial judgement plus the ability to make a full contribution with the minimum of direction and supervision in a fast-moving, high pressure environment. Initial salary negotiable £16,000 – £20,000, mortgage subsidy, non-contributory pension, free life assurance and private health benefits. Applications in strict confidence under reference CFE 4441/66/FT to the Managing Director:

CAMPBELL-JOHNSTON ASSOCIATES (MANAGEMENT RECRUITMENT CONSULTANTS) LIMITED, 35 NEW BROAD STREET, LONDON EC2M 1NH.
TELEPHONE: 01-588 3588 OR 01-588 3576. TELEX: 887374. FAX: 01-256 8501

Foreign Exchange

Senior Japanese Corporate Sales

As a result of continued expansion our client, a major US bank, wishes to recruit a Senior Japanese Corporate Salesperson.

The successful applicant will be expected to expand the existing level of Japanese foreign exchange business. He/she will advise clients of market conditions, develop, in conjunction with the client, future trading strategies and will initiate visits to establish and maintain corporate relationships.

Applicants will be fluent in Japanese and should have at least two years' foreign exchange corporate sales experience servicing Japanese clients.

Those interested should contact John Green on 01-404 5751 in strictest confidence, or write to him at Michael Page City, 39-41 Parker Street, London WC2B 5LH, quoting reference 3683.

MP
Michael Page City
International Recruitment Consultants–London Brussels New York Paris Sydney
A member of Addison Consultancy Group PLC

Interactive Data Corporation
A Subsidiary of The Chase Manhattan Bank, N.A.

SELL TO THE WORLD'S FASTEST GROWING MARKET

SALES EXECUTIVE

Investment, banking and brokerage information services

City — £30-40K Package

To capitalise on their success and further penetrate the buoyant city markets, Interactive Data Corporation seeks to recruit an additional Sales Executive to join their thriving Finance Branch Team.

As a major commercial supplier of financial data, and computer systems to analyse that information, Interactive commits considerable resources to expanding their innovative product range to meet the growing demands of the banking, brokerage and investment banking community.

Applications for the position are invited from Sales Professionals who:

have a successful record of software applications sales
possess financial markets knowledge

Based in prestigious offices, the successful candidate will join a high calibre, enthusiastic and professional team selling an exciting product range to the top city financial organisations.

The benefits of working for a market leader and subsidiary of Chase Manhattan Bank include a flexible commission structure, incentive schemes, overseas annual sales conferences and excellent promotion prospects.

To progress your sales career contact our recruiting consultants at Myriad on 01-583 2110 quoting reference FT/0110 or send a CV to their office at 30 Fleet Street, London EC4Y.

myriad

SECURITIES AND INVESTMENTS BOARD

Authorisation of Collective Investment Schemes

The Board is seeking a person with substantial experience of operating unit trust and other collective investment schemes to join its staff at a senior level.
The tasks involved are:

- formulation of policy, in consultation with the industry and the Department of Trade & Industry, on the criteria for authorisation of schemes and the regulations which the Board expects to make to govern the operation of schemes;
- processing of applications for authorisation of schemes;
- processing of applications for recognition of overseas schemes;
- assisting the Authorisation Division in processing any applications by scheme managers, operators or trustees for direct authorisation by the SIB;
- supervision of the operations of authorised and recognised schemes, both directly and in conjunction with self-regulating organisations in respect of schemes operated by their members;
- assisting the Board's Marketing Division in the policy making for, and supervision of, mass-marketing of collective investment scheme products.

The person chosen will ideally have worked either for a unit trust manager or a trustee. Knowledge of the management and operation of unit trusts is essential; marketing experience is desirable. Familiarity with off-shore funds and the main off-shore locations for fund operations is also desirable.

The person chosen will have analytical capacity and good oral and written skills. Much contact with unit trust managers and trustees will be involved as well as with Government Departments and the staff of self regulating organisations. He or she will be a member of the SIB's senior management team with a full part in the operation of the new regulatory regime generally. He or she is likely to be directly responsible for a small team and to be able to call on the specialist legal and accounting resources of the SIB.

Salary Circa £30,000

SIB Applications, with comprehensive CV including current salary, should be sent to J L Clark, The Securities and Investments Board Ltd, 3 Royal Exchange Buildings, London, EC3V 3NL.

GILTS ANALYST

required to assist the Fund Manager. Broad experience of all fixed interest markets including cash instruments necessary.

UK EQUITIES ANALYST

required to join team and assume responsibility for a number of sectors reporting direct to the Fund Manager. Not less than two years' experience as U.K. Equities Analyst necessary.

The above are required by a major City investment institution.

A competitive salary package is available for the successful candidates.

Apply with full curriculum vitae to:
Box A0282, Financial Times
10 Cannon Street, London EC4P 4BY

INVESTMENT MANAGER

CITY BASED INSURANCE COMPANY

As Investment Manager you will lead a small team dealing mainly in the UK and USA markets with fixed-interest stocks, equities and cash deposits. Responsibilities will include both the day-to-day management of the funds as well as close involvement with the formulation of investment policy to meet the needs of the Company's business strategies.

Please apply with details of past experience to:—
Martin Parker

Dominion Insurance Company Ltd.
52/54 Leadenhall Street, London EC3A 2AQ

Investment Administrator

Career Opportunity — South West

Our client is one of the region's most prestigious companies. It is seeking an Investment Administrator for its pension fund which is managed in-house with strategy formulated by Directors of the Trustee Company. Assets have grown fast over the last 5 years and are now approaching £300m.

As part of a small team you will become involved in all areas of pension fund investment.

Ideally you will have several years experience in the administration of Stock Exchange Securities and a working knowledge of computerised systems.

Salary and benefits will reflect the specialised nature of the work.

Please write, enclosing your C.V. to John Eskdale quoting reference 53031. List separately any companies to whom your details should not be sent.

HAY-MSL Management Selection,
50 Queen Square,
Bristol BS1 4LW.

Offices in Europe, the Americas, Australasia and Asia Pacific.

HAY-MSL
MANAGEMENT SELECTION

MARKET MAKER — US$ STRAIGHTS

Develop your trading career in a high growth investment banking environment

This is an opportunity to become involved at an early stage in the growth and expansion of the Eurobond trading function in the London-based subsidiary of a major international Bank. As a key member of the trading team you will enjoy the facilities of a brand new dealing room equipped with the latest modern technology.

You will have at least one year's experience as a market-maker in Eurobonds, preferably US$ Straights, and you will be keen to further develop your expertise in this area. You will possess the energy, nerve and perceptive abilities required to be successful in this demanding role and are likely to be in your mid-twenties.

The compensation package offered is extremely attractive and reflects the Company's commitment to the profitable development of this function.

To apply, please write in complete confidence to the Company's adviser on this appointment: John Sears, Cavendish Court, 11/15 Wigmore Street, London W1H 9LB, or telephone: 01-629 3532.

John Sears

International Appointments

Financial Times Conferences

THE FT CITY FINANCIAL SERIES

London — October 23 and 24, 1986

The Financial Times Conference Organisation is arranging four special seminars to coincide with the International Financial Services and Technology '86 exhibition at the Barbican. Using Technology for Profit and Marketing for Superiority are the themes for the first day and the Prospects for Building Societies and Security and Prevention of Fraud form the agenda for the second. The series can be taken as a whole or a choice made from among the various parts. There has been substantial interest in this special series as the Building Societies morning is already heavily subscribed. Clive Blatchford, formerly of Chase Manhattan and now of STC/ICL completes the panel of the security seminar.

EUROPEAN BUSINESS FORUM— ITALY AND THE INTERNATIONAL ECONOMY

Rome — November 10 and 11, 1986

Possibly the most distinguished panel of speakers the FT has ever assembled comes together in Rome on November 10 and 11 to participate in this important forum. Italy, European political, economic and business questions and issues affecting Europe and the United States form the agenda. Mr Walter Mondale, Dr Giovanni Agnelli, Ing Carlo De Benedetti, Mr C. J. van der Klugt, Professor Dr Ralph Dahrendorf and Dottoressa Marisa Bellisario are among the contributors. The Rt Hon Denis Healey, MP, and Dr Guido Carli will chair this topical two-day meeting which is co-sponsored by L'Espresso and La Repubblica.

WORLD BANKING

London — December 9, 10 and 11, 1986

This year's conference in this long-running and successful series has an investment banking day chaired and opened by Mr Stanislas Yassukovich and a commercial banking day with Mr John Smith, MP, Opposition Trade Spokesman, among the speakers. A third day devoted to the management of change in financial institutions is being prepared in conjunction with the consultants Booz Allen who have contributed a number of thoughtful pages to FT financial conferences. Three bankers who have been successful in handling change in their institutions will also contribute. Delegates can attend for all three days or make a selection if they prefer.

All enquiries should be addressed to:

The Financial Times
Conference Organisation
Minster House, Arthur Street
London EC4R 9AX
Tel: 01-621 1355 (24-hour answering service)
Telex: 27347 FTCONF G
Cables: FINCONF LONDON
Fax: 01-623 8814

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GN GREAT NORDIC LTD AND GN GREAT NORDIC HOLDING LTD

HALF-YEAR STATEMENT 1986

The GN Great Nordic Group's net profit for the first half of 1986 after minority shares and tax [illegible] 1985. [illegible]

[illegible]

GN Netcom has made an agreement to dispose of its activities within data transmission to Olivetti. GN Netcom will now concentrate on the development and sale of the filing system ODIN (Office Document Information System) and communication systems, and an ESPRIT project for the EEC.

The Telecommunications Division is affected by falling traffic revenue from the North Atlantic cable systems and, in addition, is being burdened with many expenses in connection with the expansion of the activities within GN Citytel.

The other Group companies recorded positive results for the half-year and expect results for the whole year to be better than those achieved in 1985. Also the second half of the year will incur a number of expenses in connection with winding up activities and changing structures, especially in GN Danavox and GN Netcom, and it must be foreseen that the ordinary result for the whole year will be lower than the year before.

A present estimate of the extraordinary income and expenditure gives reason to expect the net profit after minority interests and tax to reach approximately the same level as the previous year.

ERIK MOLLERUP, Chairman

GADEK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

CHANGE OF SHARE REGISTRARS

This is to advise that with immediate effect the following has been appointed Share Registrars for Gadek (Malaysia) Berhad.

SPK KHIDMAT SDN. BHD.
12th Floor, Wisma Spk
Jalan Sultan Ismail
50250 Kuala Lumpur
Telephone No: 2481344

Kindly direct all enquiries, transfer documents and correspondence relating to share registration matters to the above.

AHMAD SHAHAB HJ. DIN
RIDWAN B. MUSTAFFA
Secretaries
1st October, 1986

TARGET TRUST MANAGERS LIMITED

HEREBY ANNOUNCE THAT:

Following the adoption of the scheme of amalgamation of Target Energy Fund with Target Commodity Fund that former holders of Target Energy Fund will receive 0.38908383 of a unit in Target Commodity Fund for each existing Unit held as at September 26th 1986. Allocations will be made to the nearest thousandth of a Unit. Certificates in respect of the new holdings in Target Commodity Fund will be despatched on or before October 20th 1986.

TARGET TRUST MANAGERS LIMITED

HEREBY ANNOUNCE THAT:

Following the adoption of the scheme of amalgamation of Target Malaysia & Singapore Fund with Target Pacific Fund that former holders of Target Malaysia & Singapore Fund will receive 0.19918198 of a unit in Target Pacific Fund for each existing Unit held as at September 26th 1986. Allocations will be made to the nearest thousandth of a Unit. Certificates in respect of the new holdings in Target Pacific Fund will be despatched on or before October 20th 1986.

US$200,000,000
ROTHSCHILDS CONTINUATION FINANCE B.V.

Primary Capital Undated Guaranteed Floating Rate Notes

For the six months September 26, 1986 to March 26, 1987 the Notes will carry an interest rate of 6¾% per annum with an interest amount of US$346.88 per US$10,000 Note. The relevant interest payment date will be March 26, 1987.

The Notes are listed in the Luxembourg Stock Exchange.

BANQUE PARIBAS (LUXEMBOURG) S.A.
Agent Bank

GENERAL MINING UNION CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
Company Registration No. 01/01232/06

PAYMENT OF COUPON No. 126
(Dividend No. 121)

HOLDERS OF SHARE WARRANTS TO BEARER will receive payment on or after 15 October, 1986 at the rate of 24.37269p, the amount declared per share, less 15% South African non-resident shareholders' tax of [illegible]. Coupons must be deposited for FOUR CLEAR DAYS for inspection before payment will be made:

In London: At the London Secretaries Office of the Corporation, 30 Ely Place, London, EC1N 6UA

In Paris: At Crédit du Nord

In Switzerland: At Credit Suisse, Zurich; Union Bank of Switzerland, Zurich; Swiss Bank Corporation, Basle or at any of their branches

Coupons belonging to holders resident in Great Britain and Northern Ireland will be paid as follows:

	Pence
Amount of dividend after deduction of South African non-resident shareholders' tax of 15%	21.23679
Less: United Kingdom Income Tax of 14% on the Gross Amount of the dividend of 24.97269p	3.49618
	17.73061

Listing forms can be obtained on application to the London Secretaries.

per pro GENCOR (U.K.) LIMITED
London Secretaries
L. J. Baines
1 October, 1986

30 Ely Place,
London EC1N 6UA.

NOTE—Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 14 per cent instead of at the basic rate of 29 per cent represents an allowance of credit at the rate of 15 per cent. The gross amount of the dividend received to be entered by the individual shareholder on any return for income tax purposes is 24.97269p multiplied by the number of shares held.

NACIONAL FINANCIERA, S.A.
US$125,000,000
Floating Rate Notes due 1988

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the twelve period 30th September 1986 to 31st March, 1987 has been fixed at 6.8125 per cent per annum.

On 31st March, 1987 interest of US$31.91 per US$1,000 nominal amount of the Notes and US$319.13 per US$10,000 nominal amount of the Notes will be due against coupon No. 12.

SWISS BANK CORPORATION INTERNATIONAL LIMITED
Reference Agent

DEN NORSKE STATE OLJESELSKAP A.S. (STATOIL)

FF 750,000,000 FLOATING RATE NOTES DUE 1993

In accordance with the provisions of the notes NOTICE IS HEREBY GIVEN that for the three month period from September 26, 1986 to December 29, 1986, the interest amount per FF100,000 to be paid on December 29, 1986 is FF 100,000 to be paid on December 29, 1986 is FF 1,958.33 and the interest amount per FF 10,000 to be paid on December 29, 1986 is FF 195.83.

Overseas Property

London Property

Clubs

Personal

THE FINANCIAL TIMES
is proposing to publish a survey on

Market Research

Publication date: 5 November 1986

1. Introduction
2. Who's Who in Market Research
3. The Users of Market Research
4. Case Studies
5. Telephone Research
6. Standards
7. New Technology
8. The US Scene

Information on advertising can be obtained from Nina Jasinski
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Publication date subject to change at the discretion of the editor

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday October 1 1986

Dome chief warns creditors of loan losses and legal delays

BY JOHN WICKS IN ZURICH

CREDITORS of Dome Petroleum, the struggling Canadian energy producer, face protracted legal proceedings and are likely to recoup less than half the value of their loans if the company is put into liquidation, Mr Howard Macdonald, chairman, indicated in Zurich yesterday.

At a meeting called to secure the agreement of public debenture holders to waive interest and principal payments, Mr Macdonald also warned that Dome was "getting close to the level where we cannot run a company of this size."

Mr Macdonald said that in the case of any future liquidation the company assumed a liquidation value of about C$2.75bn (US$1.98bn) against total debt of C$6.3bn. However, any liquidation payments would be subject to legal proceedings, which could take seven to 10 years to resolve.

The company was in Switzerland to ask holders of a total of SFr 300m ($183m) worth of bonds and notes to agree to waive interest and redemption payments. Approval is required by October 24 in respect of 70 per cent of the value of each of the three Swiss-franc debts.

Holders of five Eurodollar notes and debentures are to meet in London today and tomorrow to vote on waiver proposals calling for 50 per cent approval.

With regard to the Swiss-franc debt, Mr George Watson, vice president for finance, said 70 per cent had been chosen as representing a "significant response."

Should the 70 per cent figure not be reached, he added, that this would heighten the risk of liquidation. Although any bond or note holder could still take legal action against the company, he thought this would be unlikely if the required majority were reached and interest paid up to October 28.

In the case of the SFr 100m of notes due to mature at the end of October, there would be a 30-day grace period before default, followed by a further 30 days to rectify default. Mr Macdonald said he regarded November 30 as the "eleventh hour" for Dome.

As yet, no organised opposition to the proposals has emerged in Switzerland. Yesterday, bond and note holders complained at the initial use of English rather than German for the presentation and discussion and what was felt to be a delay in the dissemination of information by Dome and the banks.

At present, an oil price of close to US$30 would be necessary for the company to break even. This compares with a price of around $15 at present.

Merrill plans $500m disposal

By William Hall in New York

MERRILL LYNCH, the US brokerage firm, has announced a major retrenchment of its activities and disclosed that it is planning to sell its property operations for over $500m and reinvest the proceeds in its core investment banking and Wall Street brokerage businesses.

Merrill's decision to withdraw from the property brokerage business, where it is one of the largest players, is one of the most visible signs to date of the retrenchment under way in the US financial services industry.

Merrill Lynch moved into property in the late 1970s and was one of several companies, including Sears Roebuck, Citicorp and Prudential Insurance, which seemed intent on becoming a "financial supermarket" – providing customers with all the financial services they need under one roof.

However, the combination of the growing capital needs of its international investment banking operations plus a few years of poor earnings has forced Merrill Lynch to rethink its strategy and it announced that it was seeking buyers for Merrill Lynch Realty Associates, Merrill Lynch Relocation Management and Merrill Lynch Mortgage Corporation.

Merrill Lynch Realty is the second-biggest firm in the property brokerage industry with 14,000 sales agents and offices in 26 states. Merrill Lynch Relocation Management is a leader in helping companies relocate staff across the US, and the group has a sizable mortgage banking business.

The three businesses accounted for $525m, or 7.4 per cent, of Merrill's 1985 revenues of $7.1bn. Although they are not particularly capital intensive, their sale should help boost the group's shareholders' funds which at the end of 1985 totalled $2.3bn.

GRANDMET TRIES AGAIN TO DISPOSE OF ITS CIGARETTE BUSINESS

Buyer sought to light up Liggett

BY CHARLES BATCHELOR IN LONDON AND WILLIAM HALL IN NEW YORK

IF EVER a company appeared to be selling the goose that laid the golden eggs, it was Grand Metropolitan, the British hotels and brewing group, when it tried to dispose of the cigarette business of Liggett, its US subsidiary, in May 1984.

Cigarettes were Liggett's most profitable division contributing $80.5m to US profits of $148.4m in the year ended September 1983, rising to $77.9m out of total profits of $181.4m in the following year.

But as early as that May, when talks aimed at selling the Liggett & Meyers division to its management for $325m (then worth £235m) were far advanced, a small dark cloud was already distantly visible on the horizon.

Its impact was not immediately apparent on Liggett's results, but the threat it posed was enough to persuade the management team and their backers to pull out. Cigarette profits plunged to just $6.4m in the year ended September 1985, and Liggett was in the thick of a price-cutting war in the "generic," or unbranded, cigarette market it had pioneered a few years earlier.

Now, 2½ years later, GrandMet is once again negotiating the sale of the Liggett cigarette business although this time UK brokers' analysts belive the British group will be lucky to get a price of $150m. Cigarette profits appear set to recover from last year's lows, but their vulnerability has been exposed.

"GrandMet missed the market literally by days last time," said one UK analyst. "A year ago they would have won praise if they had been able to give Liggett away."

GrandMet now appears to be taking advantage of the recent improvement in Liggett's fortunes to sell it on with some in-built recovery value.

Liggett & Myers is the smallest of the six main US tobacco companies and is headquartered in Durham, North Carolina, the home of America's tobacco industry. The company's best known brands are old names such as L & M Chesterfield, Lark and Eve, but the company has made its name pioneering the generic segment of the US cigarette market.

It is credited with starting the US cigarette price wars when it launched its range of cut-price generic cigarettes shortly after the Grand Metropolitan takeover in 1980. Initially, the group's move into the generic or unbranded market was very successful, and Liggett & Myers' market share, which had been falling for years, started to recover. However, its early success in spotting one of the few growth areas in a declining US tobacco market soon spawned imitators.

The US tobacco market is declining by between 1½ per cent and 2 per cent a year, and the only way the tobacco companies can uncrease their business is by competing for a share of a declining market.

Analysts estimate that each market share point is worth between $150m and $180m, depending on the price of the cigarette. Consequently, Liggett's generic cigarettes were quickly seen as one of the few growth areas.

Three years ago, Brown and Williamson, BAT Industries' US cigarette manufacturing arm, jumped into the generic and private label market and soon began to compete head to head with its smaller rival. R. J. Reynolds, the number two US cigarette giant, was one of the next to follow and relaunched one of its weaker brands, Doral, as a branded generic.

The other majors also began to attack Liggett's pioneering initiative by developing the value-added segment of the market, where packets of 25 cigarettes are sold for the same price as a pack of 20, as an alternative to Liggett's cut-price generic products.

The new competition took a serious toll of Liggett's market share and its profits. Figures compiled by Mr John Maxwell, a leading industry analyst with the New York brokers, Furman, Selz, Dietz Mager and Birney, show that over the last year Liggett has suffered the biggest drop in market share of any US tobacco company.

In the second quarter of 1986 it had 4.3 per cent of the US market compared with 5.4 per cent a year ago. By contrast, Philip Morris, R. J. Reynolds, Brown and Williamson and Lorillard, which account for the vast bulk of the market, increased their share.

While Liggett's profits have been under a cloud recently, Wall Street analysts believe the company could make an attractive acquisition for somebody, especially if the fortunes of the company's old established brands could be revived.

Earnings boost expected at Alsthom

By Paul Betts in Paris

ALSTHOM, the French heavy engineering company controlled by the nationalised Compagnie Générale d'Electricité (CGE) group, expects to report this year a small increase in consolidated group profits, Mr Jean-Pierre Desgeorges, the company's chairman, indicated yesterday.

Alsthom reported consolidated net earnings of FFr 426.9m ($64.3m) last year. Profits this year are expected to increase by an amount equivalent to the prevailing French annual inflation rate. This is likely to be around 2.3 per cent.

The engineering group also reported yesterday an increase in first-half parent company net profits to FFr 137.7m compared with net earnings of FFr 126.9m the first half of last year.

PKbanken lifts profits by 81% to SKr 1.74bn

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

PKBANKEN, Sweden's third-largest commercial banking group, boosted its operating profits by 81 per cent in the first eight months to SKr 1.74bn ($251m), an increase of SKr 777m.

Swedish banks are enjoying record profits this year as they reap the benefits of falling interest rates and more liberal operating conditions in the domestic credit market.

S-E Banken, the country's largest commercial bank, has increased its operating profits by 98 per cent in the first eight months while Gotabanken, the number four bank in Sweden, achieved a 97 per cent jump in operating earnings.

PKbanken, which is 84.5 per cent state-owned, said that the operating earnings of the parent bank had jumped by 90 per cent to SKr 1.57bn.

Interest earnings rose by 27 per cent to SKr 2.4bn, and commission income rose by 40 per cent to SKr 648m. Total earnings rose by 42 per cent to SKr 3.55bn while total costs rose by 18 per cent to SKr 1.96bn.

The PKbanken group achieved a 22.5 per cent return on equity compared with 13.8 per cent in the corresponding period of 1985.

The bank said that the rate of increase in profits was expected to slow in the final months of the year, partly because of a lower level of capital gains from bond sales.

In the first eight months of the year it has made capital gains of SKr 400m on bond sales as it has profited from the higher bond prices that have resulted from falling interest rates.

Market rates have fallen sharply in Sweden this year.

Dayton Hudson and Kroger plan sell-offs

BY OUR NEW YORK STAFF

DAYTON HUDSON Corporation and the Kroger Company, two big US retailers based in the mid-west, said yesterday that they planned to sell large parts of their businesses. The moves are the latest sign of the rapid restructuring under way among many of America's biggest retailing firms.

Dayton Hudson, one of the top six US store groups, said it intended to sell its B. Dalton bookseller division, one of the biggest book store chains in the US. Kroger said it intended to sell its retail drug business, which has annual sales of over $1bn and 891 stores.

Dayton Hudson's decision to sell its 777-store B. Dalton chain comes only a year after Dalton precipitated a price war in the $11bn a year US book retailing business by slashing prices on many of its books – a move which caused considerable problems for some smaller operators.

The group said yesterday that, although the price war had had a negative impact on Dalton's earnings over the last year, it was not the reason why the company had been put up for sale.

Dalton, which had 1985 revenues of $538m, is different from Dayton Hudson's other operating companies which include Target, Mervyn's and the group's department stores.

Dayton Hudson said that Dalton stores tended to require different types of management skills from its other operations, which made it more difficult to switch middle-line managers within the group.

Dayton Hudson has retained Goldman Sachs to advise the company.

Meanwhile, Kroger, the second-biggest US food retailer, said that it was developing plans to sell its retail drug business through a series of private transactions. One of the transactions being considered is the formation of a private company that would include the majority of the current assets of SupeRX drug stores and Hook Drugs.

Kroger said it was hopeful that the transactions would be completed shortly. The drug store operations had operating profits of $44m on sales of $1.1bn last year.

Dayton Hudson's shares rose by $¾ to $43¾ early yesterday, and Kroger shares rose $¾ to $62¼.

INTERNATIONAL COMPANIES and FINANCE

Harmstorf group units go bankrupt

By Andrew Fisher in Frankfurt

THREE SHIPYARDS and nine other sudsidiaries of the Harmstorf group have finally gone bankrupt after the failure of efforts to seek protection from creditors over the past 12 weeks.

However, Harmstorf AG, the parent holding company, is still continuing with efforts to ward off bankruptcy under Germany's Vergleich (composition) proceedings. Shares in Harmstorf were suspended in July.

The failure of efforts to resolve the financial problems of the operating companies stems from the depressed state of the world shipbuilding industry.

Despite a wave of rationalisation moves and amalgamations in German shipbuilding, orders are still scarce. The sharp rise in the D-Mark has hindered the efforts of German yards to find more work although the Japanese industry has also been hit by the surge in the yen.

Harmstorf's three yards are Flensburger Schiffbaugesellschaft, Schlichting-Werft and Büsumer-Werft. Harmstorf entered into Vergleich proceedings in July for its subsidiaries in order to save as many as possible of the 3,300 jobs in the group.

Annual sales of Harmstorf have been running at around DM 500m ($250m). The company's home state of Schleswig-Holstein provided DM 31m of funds in March to help towards a rehabilitation programme for the company, but the efforts proved ineffective.

The federal Government in Bonn has proved reluctant to step in and help ailing enterprises.

CGE raises ITT venture funds

BY PAUL BETTS IN PARIS

COMPAGNIE Générale d'Electricité (CGE), the state-owned French electronics and engineering group, has completed the funding of its part of the financing of its telecommunications venture with ITT of the US.

The company has just raised $100m through a Eurodollar bond issue led by Nomura of Japan to tie over the $800m payment it must make to ITT by the end of the year under the terms of the deal with the US group.

CGE, which will finance the bulk of its $800m payment from internal funds, regards the terms of the Euobond issue as favourable to the company. The five-year issue was offered at a yield of 7.046 per cent.

The French group also appears confident of the commitment of its *two other European partners in the* venture, which will produce the world's second-largest telecommunications grouping after AT&T of the US. The two partners are Telefonica, the Spanish state telephone concern, which will invest $300m in the venture and Société Génerale de Belgique which will invest about $250m.

Although the French group had hoped to interest other European groups to invest in the venture, CGE now does not seem to expect any *additional European partners* to acquire any significant stake in the venture.

The $100m Eurobond issue follows the approval granted to the French group by its shareholders this summer to raise up to FFr 5bn ($757m) in bond issues. But the company never intended to raise the full amount authorised

ITT will have a 37 per cent stake *in the new telecommunications* venture with a European consortium, in which CGE will have a majority stake, holding 63 per cent.

Although the details of the deal are being finalised, CGE is confident that there is a "95 per cent chance" that it will be clinched. Despite the French conservative Government's replacement of Mr Georges Pebereau, the CGE chairman who negotiated the ITT deal, with Mr Pierre Suard, the vice president of CGE's Alcatel telecommunication subsidiary, this summer, the French Administration has continued to support the ambitious telecommunications venture.

CGE is also eventually expected to raise new equity capital to help finance the new venture when the group is privatised. Although not among the first three state companies selected by the Government to lead off the privatisation programme, CGE is none the less expected to be an early candidate for privatisation.

German packager predicts profits rise

By Our Frankfurt Staff

SCHMALBACH-LUBECA, the West German packaging company which is the largest in Western Europe, expects higher turnover and profits this year after a flat sales performance in 1985.

The company, controlled by Continental Group of the US but with 35 per cent of its share capital traded on the Germany stock market, said turnover was moving ahead after showing little change last year at DM 1.55bn ($765m).

Profits were showing a slight increase up to July of this year, with the rise in German purchasing power – the D-Mark has risen sharply against foreign currencies, and inflation is at a virtual standstill – contributing to Schmalbach's progress.

Last year, the company saw pretax profits fall from DM 78m to DM 72m although net profits were up from DM 30m to DM 35m after a lower tax charge. It paid a DM 7.5 dividend on the quoted shares.

Schmalbach said in London earlier this year that it was looking for a major European acquisition. Yesterday, it said it was still on the search for a suitable candidate. Cash reserves are around DM 130m.

Solvay earnings advance by 21%

BY OUR FINANCIAL STAFF

SOLVAY, the Belgian chemicals group, reported a strong rise in profits for the first half of 1986 and said further good progress could be expected over the rest of the year.

Despite a decline in sales for the six months, group net profits have risen by 21 per cent to BFr 4.86bn ($116m). Turnover was BFr 112.9bn, against BFr 117.2bn a year ago.

Solvay said the fall in oil and oil-product prices had reduced raw materials costs in the six months. However, the group had also had to cut its selling prices on several major product lines, and this had pushed down turnover.

In volume terms, sales of plastic resins were higher and profit margins better than the unsatisfactory level of a year earlier. Turnover and earnings in the human and animal health divisions were also up, but in alkalis volume sales, prices and results were slightly lower than a year ago, Solvay said.

The half-year earnings were struck after heavier depreciation of BFr 6bn, against BFr 5.6bn. But this helped bolster group cash-flow for the period, which rose to BFr 10.9bn from BFr 9.6bn.

Solvay said its trading climate in the current six months looked at least as favourable as that experienced so far in 1986.

Solvay, which stepped up its 1985 dividend from BFr 270 a share to BFr 300, achieved sales of BFr 224bn last year.

Solvay's activities have traditionally centred on basic plastic and petrochemical production, but in recent years it has pushed for a far greater value-added sales content.

HK bank takes US bond stake

By David Lascelles in London

THE HONGKONG and Shanghai Bank is to take a direct stake in a US Treasury bond dealing business belonging to Marine Midland Bank, its 51 per cent-owned US affiliate.

The Hong Kong bank will assume a 51 per cent interest in Carroll McEntee and McGinley, one of the 35 primary dealers in government securities recognised by the Federal Reserve Bank of New York. The dealership was acquired by Marine Midland in 1983 and has an equity capital base of more than $115m.

The new structure is intended to enable CM & M to increase its activities, particularly abroad where it recently began operations in London, Tokyo and Singapore. It will also strengthen the Hong Kong bank's capital markets capabilities.

L'Oréal profits up

By David Housego in Paris

L'OREAL, the French hair and beauty products group, yesterday reported a 16 per cent increase in first-half net consolidated profits to FFr 472m ($71m).

Turnover rose by 12.2 per cent to FFr 9.3bn during the first six months of the year compared with the same period in 1985 on the basis of comparable structure and exchange rates.

US health care group lifts profit

By David Owen in New York

NATIONAL MEDICAL Enterprises, a leading US health care company, yesterday announced marginally improved first-quarter net profits of $36.16m, or 46 cents a share, on sales of $1bn.

The company announced in August that it planned to buy back 10m common shares. Some 13 per cent of the total outstanding funds for the buyback, then valued at approximately $216m, are to come from the sale of a number of facilities, including nine acute-care hospitals, announced in June.

Campeau raises bid for Allied to $66 a share

BY OUR NEW YORK STAFF

CAMPEAU, the Canadian property developer, has raised its offer for Allied Stores, the fourth-largest US department store group, to $66 a share, valuing the group at $3bn.

Allied last week rejected as inadequate Campeau's previous offer of $58 a share for 64 per cent of its common shares. It was studying several options, including the sale of some of its assets, a buy-back of shares or a recapitalisation.

Under the new terms the Canadian company, which the market suspects wants Allied for its property assets, said it would buy up to 40.75m Allied shares, equal to about 85 per cent of the total outstanding.

It would then merge the two companies, offering for each remaining Allied share a unit consisting of $29.70 face value 16 per cent exchangeable redeemable cumulative preferred stock of the surviving company and $36.30 face value of an equity purchase right entitling the holder to buy shares in Campeau.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Sheikh Salem takes over at Kuwait's central bank

BY ANDREW GOWERS AND MICHAEL FIELD IN KUWAIT

SHEIKH SALEM al Abdel Aziz al Sabah, a member of the Kuwaiti ruling family, has taken over as governor of the country's central bank following the controversial resignation from the post two weeks ago of Mr Abdul-Wahab Tammar.

The appointment of Sheikh Salem, formerly deputy governor, coincides with intensive efforts by the Kuwaiti government to solve the country's four year-long financial crisis by injecting funds into the stock market and banking system.

Mr Tammar resigned as governor in mid-September amid reports of friction between him and Mr Jassim Khorafi, the Kuwaiti finance minister, over a range of issues including bank regulation and the handling of bad debts stemming from the collapse of the Souk al Manakh unofficial stock market in 1982.

Much admired in some quarters of the financial community for his tough approach, Mr Tammar is also believed to have made some powerful enemies by insisting that banks improve their financial reporting and stiffen their provisions against bad debts. He also intervened in the selection of board directors to veto people he regarded as unsuitable. Mr Tammar lost valuable political allies in recent months, following the dissolution of the Kuwaiti National Assembly, the state's parliament, in July.

Bankers believe Sheikh Salem is likely to adopt a more conciliatory approach. His immediate task is to help oversee the Government's attempt to resolve the Souk al Manakh crisis once and for all by the end of this year.

The collapse of the market under an avalanche of more than $90bn worth of post-dated cheques left behind bad debts variously estimated at between KD 1.3bn ($4.4bn) and KD 2bn, and has virtually paralysed financial activity in Kuwait for the last four years. Official rescue efforts have hitherto been piecemeal, and often encountered heavy criticism in the National Assembly.

Since the assembly was dissolved, the Government has been gradually putting together a concerted rescue package. At a cost that may run into billions of dollars, it has:

● Introduced a scheme to secure the position of banks grappling with bad debts. This involves the rescheduling of some loans over 15 years, or the issue of promissory notes where insolvent debtors have no assets and no cash flow. In the event that resulting losses should erode a bank's equity capital and published reserves, the Government has agreed to make up the shortfall.

● Intervened to buy shares on the stock market in a bid to support prices. Some stocks doubled in value in July, and are still well above the levels prevailing before the intervention.

● Bought up private investors' shares in so-called closed shareholding companies.

● Moved to bring its payments for purchases of land up to date. It plans to issue bonds to citizens from whom it has bought land, which can be discounted at banks.

Firm prices on Japan equities

BY ALEXANDER NICOLL

MARKET MAKERS in Japanese equities on the London Stock Exchange's SEAQ International automated quotation system will be committed from today to dealing at the prices they quote.

The move to firm prices marks a further step forward for the SEAQ International service, upon which 36 market-making firms show prices on about 550 non-UK stocks.

SEAQ International is the heart of the stock exchange's attempt to provide a focus for international equity trading in London—an attempt which is likely to be stepped up as the exchange merges with the International Securities Regulatory Organisation to provide a single marketplace for equities in the UK.

Fourteen market makers in Japanese stocks, including the big four Japanese securities houses, will display firm prices for specified quantities of shares in 16 equities. Firm prices are already shown on South African, Australian, Hong Kong and Dutch stocks.

SEAQ International was intended to be a pilot for the domestic SEAQ system which will be the basis for the UK equity market after this month's Big Bang.

The two systems will, however, be kept separate and SEAQ International is expected to be replaced next year with more advanced technology.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.
Closing prices on September 30

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9¼ 16	200	103⅝	103⅞	−0⅛	+0⅛	9.40
Atlan. Richfield 10¼ 00	250	106⅝	107⅛	+0⅛	+1⅛	9.33
Australia Com. 11 95	200	115⅛	115½	−0⅛	−0½	8.74
Australia Com. 11¼ 00	100	113⅛	113⅝	+0½	+0⅝	9.45
BP Capital 9⅛ 94	100	103⅞	104	+1⅞	+1⅞	8.41
BP Capital 11⅛ 92	150	108⅜	109⅛	−0⅛	−0⅛	8.96
Campbell Soup 10½ 95	100	110⅝	110⅞	−0⅛	+0⅛	8.73
Canada 9 96	1000	104⅛	104⅜	0	−0⅛	8.28
Canada 11½ 90	500	111⅛	112⅛	0	+0⅛	7.48
Canadian Pac. 10¼ 95	100	108⅛	108⅝	+0⅛	0	9.01
CEPME 10⅛ 91	100	107⅞	108⅜	−0⅛	−0⅛	8.13
Credit Lyonnais 9 91	200	104⅜	105	+0⅛	+0⅛	7.70
Credit National 9⅛ 93	150	104⅛	105⅛	+0⅛	−0⅛	8.08
Denmark Kingdom 7 89	500	99½	100	+0⅛	+0⅛	7.09
Denmark Kingdom 7⅛ 95	250	97⅝	98⅛	+0⅛	+0⅛	8.16
Denmark Kingdom 8⅛ 91	300	101⅞	102⅛	+0⅛	+0⅛	7.69
Deutsche Bank Fin. 8 96	120	96	96½	0	−0⅛	8.51
EDC 8½ 92	100	102⅛	102⅝	+0⅛	+0⅛	7.90
EEC 8⅛ 96	100	105⅛	101⅛	+0⅛	+0⅛	8.11
EEC 8⅝ 91	150	104⅛	104⅝	+0½	+0⅛	7.34
EEC 9⅝ 90	350	105⅝	105⅞	+0⅛	+0⅛	7.85
EIB 10¼ 94	200	110	110⅝	+0⅛	+0⅛	8.47
EIB 12 95	200	122¼	122⅝	+0⅛	+0⅛	8.22
Eurofima 7¼ 91	100	100⅛	100⅝	+0⅛	0	7.44
Export Dev. Cpn. 10 90	200	107⅞	108⅛	−0⅛	+0⅛	7.41
Finland 7½ 93	200	97⅛	97⅝	+0⅛	+0⅛	8.00
Ford Motor Cred. 10½ 91	150	107⅞	108⅛	0	0	8.52
Ford Motor Cred. 11⅞ 90	100	109⅝	110⅛	+0⅛	−0⅛	7.86
Gen. Elec. Cred. 10¼ 00	200	107	107½	+0⅛	+0½	9.20
GMAC 10¼ 89	200	107	107⅞	+0⅛	+0⅛	7.15
GMAC 8½ 93	200	100¼	100⅝	+0⅛	+0⅛	8.39
IADB 9⅝ 95	200	106¼	107⅛	+0⅛	−0⅛	8.42
Liberty Mutual 8½ 96	150	99½	100	+0⅛	+0⅛	8.53
LTCB of Japan 8 91	100	100⅞	101⅛	+0⅛	0	7.71
Merrill Lynch 8¼ 91	100	†101½	102	+0⅛	−0½	8.31
Mercds.-Benz Cred. 7½ 93	100	98½	99	+0⅛	+0⅛	7.74
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Ex. OS Cr. 0 91 A$	100	55⅛	55⅞	0	+0⅛	13.82
[illegible] 12⅞ 91 A$	30	97⅛	98⅛	0	+0⅛	13.36
Fiat Finance 14½ 89 A$	50	†99½	100½	0	+0½	14.38
GMAC 12⅞ 89 A$	40	97⅛	98⅛	0	+0⅛	13.86
Landsbk. Rhein. 13 89 A$	30	97⅛	97⅞	0	+0⅛	14.15
Canadian Pac. 10⅛ 90 C$	75	†101⅛	102⅛	0	+0⅛	9.75
Chrysler Corpn. 10 91 C$	75	†97½	98	0	0	9.86
Genstar Fin. 11¼ 95 C$	75	*†105⅛	105⅝	0	+0⅛	10.36
GMAC 9¼ 92 C$	75	†98½	99	0	−0⅛	9.52
Royal Trustco 10⅛ 90 C$	75	†99⅛	99⅝	0	−0⅛	10.54
Sears Acc. 10⅞ 92 C$	75	*†102⅛	103⅛	0	+0⅛	10.15
Coca-Cola F. C. 17 90 NZ$	75	†104½	105	+0½	+1	15.27
Denmark 17½ 89 NZ$	50	*†103⅛	103⅝	0	0	16.13
Unilever Cap. 17½ 89 NZ$	50	†104½	105	+0½	+1	15.30
Copenhagen City 9 95 Ecu	40	†102½	103	0	−0⅛	8.55
EIB 8⅝ 93 Ecu	100	†104⅛	105⅛	+0⅛	0	7.60
Walt Disney 8⅝ 94 Ecu	62	†102⅛	102⅝	0	−0½	8.27
Honda Mtr. WW 3⅞ 90 Fl	100	109	109½	0	+0⅛	1.14
Honda Mtr. XW 3⅞ 90 Fl	100	92⅛	93⅛	0	+0⅛	6.17
Thyssen 7¼ 90 Fl	50	104½	104⅞	0	0	5.96
Wereldhave 7½ 90 Fl	75	104½	105	0	+0⅛	6.07
Wessanen 6⅞ 90 Fl	50	103⅞	104⅛	0	+0⅛	5.61
Abbey 11 93 £	50	†96⅞	97⅛	+1½	−2	11.70
Australia Com. 11 92 £	40	101⅞	102⅛	+0⅛	+3	10.50
GMAC UK Fin. 10½ 90 £	30	95⅞	96⅛	+0⅛	−3⅛	11.80
Imp. Chem. Inds. 10 03 £	100	91⅛	91½	0	−3⅛	11.16
Imp. Chm. Inds. 10¼ 92 £	75	†94⅛	95⅛	−0⅛	−4⅛	11.87
Invst. in Inds. Int. 10 93 £	50	†98⅛	98⅞	+0⅛	−3⅛	12.16
Leeds Bldg. Soc. 10½ 91 £	50	†93½	94	+0⅛	−2	12.35
McDonalds 10⅞ 90 £	40	97½	98	+1⅛	−1⅛	11.65
Nationwide BS 10⅛ 93 £	75	†90⅛	91⅛	+0½	−3	12.20
NSW Treasury 10⅛ 92 £	50	93⅞	94⅛	+0⅞	−1⅛	12.60
Royal Insce. 10⅛ 92 £	60	†94⅛	95⅛	−0⅛	−4⅛	11.97
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Eurobond investors stay on sidelines

By Clare Pearson

INTERNATIONAL BONDS

THE EUROBOND market traded thinly yesterday with retail investors sidelined. The announcement of a lower-than-expected $13.32bn August US trade deficit, which led to an improvement in the US Treasury bond market, failed to inspire Eurobond dealers. At the close, prices of dollar Eurobonds were only about ⅛ point higher on the day.

But Eurosterling bonds posted greater price gains of around one point following central bank intervention to support the pound. Dealers said, however, that closing prices mostly reflected defensive professional mark-ups and that end investors continued to keep away from the market yesterday.

New issuing activity continued very low. The dollar market saw only two new deals, both led by Nomura International.

The first was an equity warrants bond for NHK Spring, the Japanese manufacturer of springs for cars. The $50m five-year bond has an indicated coupon of 3⅛ per cent and a price of par. Terms will be fixed on October 8.

This deal was followed by a $30m issue for Outokumpu Oy, the Finnish mining company. The five-year bond, designed to appeal to investors seeking a high current yield, has a 9 per cent coupon and issue price of 101⅞.

A Y20bn bond for Procter & Gamble, launched late on Monday, was quoted yesterday at a bid price of 99¼, as against an issue price of 101, by the lead-manager Daiwa Europe. This was outside the level of its total fees. Bid prices at lower levels were reported elsewhere in the market.

Yesterday morning prices of D-Mark bonds moved down by up to ½ point as some selling pressure emerged. Prices improved when the US Treasury bond market opened higher, but still ended slightly lower on the day.

The new Federal bond, which should be announced tomorrow, is expected to amount to DM 4bn. The bond is expected to have a 10-year life and a 6 per cent coupon.

In the Swiss franc market prices moved down slightly in low volume. A SFr 100m 10-year 5¼ per cent issue for Texas Eastern Corporation closed its first day's trading yesterday at 98¾ compared with a 100¼ issue price.

Union Bank of Switzerland issued a SFr 60m 5½ year convertible bond for Y-E Data. The issue has an indicated semi-annual coupon of 1 per cent and the conversion premium is expected to be set at 5 per cent. Terms will be fixed on October 6. The bond is callable in 1989 at 106 and in 1990 at 103, and then at premiums declining by 1 per cent semi-annually.

Chemical New York Capital Market Corporation has changed the structure of an eight-year issue for American Eagle Petroleums, which had been due to be priced yesterday. The convertible issue, for a maximum SFr 30m, was expected to be redeemable in Canadian dollars. Chemical New York has removed this feature and said yesterday that the indicated coupon is now 6¼ per cent. Final terms will be fixed on October 2.

Banque Gutzwiller Kurz Bungener is expected to launch shortly a SFr 20m to SFr 30m convertible bond for International Hydron, guaranteed by National Patent.

Continental Bank Canada in bid talks

By Robert Gibbens in Montreal

CONTINENTAL BANK of Canada, recovering from a deposit withdrawal crisis in the wake of last year's Alberta bank failures says it is "near agreement with another financial institution which would be in the best interests of customers, shareholders and employees."

Continental, which is 20 per cent owned by a holding company of the Peter and Edward Bronfman interests of Toronto, asked the Toronto Stock Exchange to halt trading in its stock and promised further news tomorrow.

Analysts expect a merger with another bank or a financing deal with another Bronfman company. In the nine months ended July 31 Continental earned C$14.4m or 81 cents a share on assets worth almost C$6bn.

Mitsubishi Trust signs CD facility

MITSUBISHI Trust and Banking Corporation has signed a £500m certificate of deposit issuance facility, the second of this record size to be announced this week, our Euromarkets staff writes.

S. G. Warburg is arranging the deal, and additional dealers are Gerrard & National, Lloyds Merchant Bank and Samuel Montagu.

Fiat deal indigestion raises many questions

BY ALEXANDER NICOLL

DIFFICULTIES encountered in the placing of $2.1bn worth of Fiat stock now under way, have underlined the fragility of the international equity market and the extent to which it is still in the early stages of development.

Perhaps most importantly the deal—in which the relevant share prices have slumped and large amounts remain unplaced—has suggested that, whatever securities houses say about the development of a global market in shares, the domestic market remains the essential backbone of trading.

The Fiat placement has been difficult to digest not only because of its sheer size — as one syndication manager says, $300m to $400m is "big bucks" in the Euro-equity market at present—but because the market was conscious of the weight it was placing on a relatively illiquid Milan market.

Bankers acknowledge the intent of Deutsche Bank Capital Markets, which is leading the deal, to circumvent this concern by making a dollar-denominated Euromarket in Fiat shares outside Italy, thus in theory avoiding flow back into the Italian market and reducing liquidity problems.

But the performance of the share prices in Milan, even if influenced by dumping of shares connected with the placement, has underlined how the home market price represents the bottom line. Fiat's share price fell L450 yesterday to L14,800 —against L16,600 when the deal was put together a week ago— and banks underwriting the deal face losses on their unplaced commitments.

Deutsche Bank yesterday began making markets in the shares, and its prices closed at $10.25/55 for the ordinary shares and at $5.87/6.25 for both the preference and savings. These were well below the offering price of $11.28, $7.06 and $6.75 respectively.

The importance of domestic constraints has also been highlighted by widespread concern among securities firms and institutional investors about settlement arrangements for the shares. Italy's settlement system has been notorious for its delays, though attempts have been made to improve it recently.

Deutsche Bank deliberately did not clarify the exact details about the nature and settlement arrangements for the Fiat shares being sold by Libya because it was anxious to avoid fellow managers and investors selling into the Italian market. Sellers needed to be sure that they would be delivered stock in time to deliver themselves.

The bank now says that the shares being placed are completely interchangeable with existing shares and that delivery of actual certificates in Italy will be assured should investors want them.

But since some of the concern about settlement probably reflected worries about whether quick sales of stock could be made, the Fiat deal is likely to raise the broader question of whether a Eurobond-type distribution is really suitable for equities, and particularly for such a large equity offering.

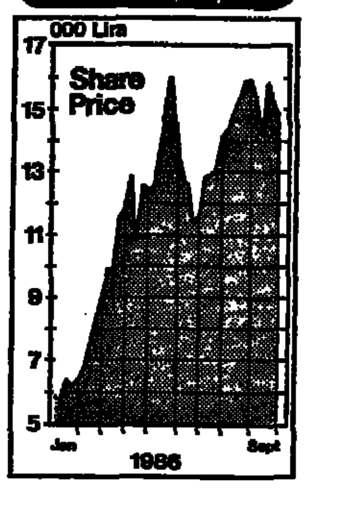
Deutsche Bank earned plaudits for the speed and panache with which it bought the deal and put together the syndicate of co-lead managers, which each agreed to underwrite $100m worth against Deutsche's $600m and Mediobanca's $500m. Commitments from co-leads were based on simple outlines of the deal.

The advantages of this are clear. Secrecy was maintained until the last moment, the vendor was paid quickly and in dollars, and the stock market and currency risks involved were rapidly transferred to a group of international banks and thence to other underwriters. The alternative to an international placing would presumably have been a domestic offering with potentially even more debilitating effects on the share price.

But the jealousies typically prevalent in the Eurobond market quickly showed through as criticisms of the settlement uncertainty were made. Deutsche's claims that managers dumped stock into the Italian market are bound to raise questions about the extent to which the Euro-equity market involves a genuine attempt on the part of securities firms to place equity with end-investors.

Some managers have complained about what they see as a lack of co-ordination in the placing, with managers duplicating efforts to sell to the same investors and Deutsche accused of using advance knowledge to place some of its huge slice before other managers could get their calls in.

Fiat



But many frankly admit that such free-for-all methods are common in the market, and see nothing wrong with sales forces contacting the same investors. Euro-equity deals, they say, have up to now been done successfully in this way and avoided significant flow back or adverse effects on the share price.

The placement is by no means over yet. But at present the Fiat deal must raise doubts about the equity placement power of the Eurobond houses and about whether they can sufficiently distinguish between differing needs of equity and bond markets.

Finally, there is the question of price. Fiat's share price was clearly vulnerable to correction after rising very sharply this year on the improving prospects for the company. In addition, the savings and preference shares which form a large proportion of the package are less liquid than ordinary shares.

Indian credit offers large tax benefits to lenders

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

INDIA'S OIL and Natural Gas Commission has launched a $500m, ten-year credit in the Euromarkets incorporating a substantial tax benefit to UK and Japanese lenders.

The credit, being co-ordinated by Chemical Bank, is divided into three portions. One of them is a $75m tranche carrying interest at one basis point over London interbank deposit rates, against which UK lenders will receive a special tax credit under the double taxation agreement between the UK and India.

A similar tax credit applies for Japanese lenders on a $125m tranche which carries interest at Libor, while the remainder of the deal is a conventional Eurocredit bearing interest at a margin of ¼ per cent over Libor for the first three years rising to ⅜ per cent thereafter.

The mandate for the credit was awarded after a fierce round of bidding during which it became clear that the deal was likely to carry a large element of tax concessions.

Li Kashing 'aggrieved' by insider trading verdict

BY OUR HONG KONG CORRESPONDENT

LI KASHING, the Hong Kong financier, told a court in the Colony yesterday through counsel that he felt "a burning sense of grievance" about the finding by a tribunal earlier this year that he and fellow directors had been involved in insider share dealings in 1984.

Counsel for Li, whose interests include Cheung Kong, the property group, and Hutchison Whampoa, the trading company, was applying for the tribunal's finding of censure against a total of eight people involved in the dealings in shares of International City Holdings to be set aside.

The tribunal's findings, which followed an investigation lasting 18 months, related to share dealings in ICH by Starpeace, a subsidiary of Cheung Kong.

Counsel for Li said the tribunal's report was "wrong, inconsistent and contradictory" in concluding that Li had passed information to Starpeace enabling it to sell its parcel of ICH shares

INTERNATIONAL COMPANIES and FINANCE

Steep rise in IEL's full-year earnings

By Robert Kennedy in Sydney

INDUSTRIAL EQUITY, Mr Ron Brierley's Australian holding company, yesterday reported an increase of 183 per cent in its annual profit to A$145.27m (US$91.3m) from A$51.17m in the year to June 30.

The company is making a one-for-five rights issue at A$2 a share and a one-for-five bonus issue after a second half performance that resulted in a profit-jump from A$35.8m to A$116.62m. IEL shares closed yesterday at A$7.50.

IEL also reported cash and undrawn credit facilities in place of A$1bn.

The result firmly consolidates IEL's position as the fourth largest quoted Australian company, with *capitalisation of about A$3bn*, and puts it within sight of News Corporation and CRA, though well behind BHP. That compares with IEL's capitalisation of A$115,000 when it floated in 1964. Mr Brierley won control of the company about two years later.

The tone of Mr Brierley's comments yesterday and the recent efforts of Mr Rodney Price, the new managing director, in putting together significant holdings in companies like Herald and Weekly Times, Woolworths, AGC and Jennings, indicate that IEL plans an active role.

African Cables back in profit

By Jim Jones in Johannesburg

AFRICAN CABLES, the South African offshoot of BICC of the UK, returned to profits in the year to July 1986, principally because of increased turnover in the company's profitable sections. Turnover rose to R91.3m ($41.3m) from R80.3m and operating profit before interest and tax was R8.6m against a R682,000 deficit. Pre-tax profits were R9.1m against a pre-tax loss of R2m.

A total dividend of 12 cents has been declared from per share earnings of 19.93 cents. No dividend was paid in the previous year and the attributable loss amounted to 4.67 cents a share.

Stefan Wagstyl and Bernard Simon on CP's sale of a lossmaker

Why Cominco found ready buyers

THE PURCHASE by a West German - Australian - Canadian consortium of the controlling stake in Cominco, the hard-pressed Vancouver base metals group, is the latest and one of the *largest moves in a far-reaching* restructuring of the world mining industry.

By buying the bulk of Canadian Pacific's stake in Cominco, Metallgesellschaft, MIM and Vancouver-based Teck have demonstrated two important trends in mining, as the industry struggles through a prolonged price recession. One is the return of mining assets from conglomerates like Canadian Pacific and oil companies to mining groups. The other is the rise of a new generation of aggressive medium-sized groups like Teck.

Burdened by debt, Canadian Pacific is to sell its 52 per cent stake in Cominco for a total of C$472m (US$340m). The bulk of the shares, or 31 per cent of Cominco, is to be bought by a *holding* company, 50 per cent owned by Teck and 25 per cent each by Metallgesellschaft and MIM. Metallgesellchaft and MIM are together the second largest shareholders in Teck after the founding Keevil family.

The balance of CP's stake will be sold to the public. Australian Mutual Provident Society, a shareholder in both Metallgesellschaft and MIM, will buy 2m Cominco shares out of a total public offering of 14.2m.

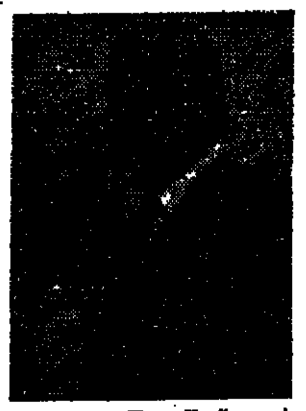
For Metallgesellschaft and MIM the deal marks the culmination of a series of joint ventures and co-operation agreements which date back to 1982. MIM has bought 50 per cent of Ruhrzink, a Metallgesellschaft *zinc smelter* in West Germany, and a stake in Rheinzink, a fabricating company, while Metallgesellschaft has joined in MIM's exploration programmes.

For MIM the agreements guarantee sales for some of its output, including lead and zinc from the huge Broken Hill complex in New South Wales. Metallgesellschaft is assured of supplies for its smelting plants.

Cominco is a far greater proposition, with interests in chemicals and fertilisers as well as metals, including zinc, lead, and copper. It has incurred losses in three of the past four years — including C$97.2m net last year.

But despite its financial difficulties, Cominco fits the bill, the MIM and Metallgesellschaft boards believe. MIM will be *particularly interested in* Red Dog, Cominco's very rich lead/zinc deposit in Alaska which is in the earliest stages of development but is eventually expected to undercut Broken Hill in the market. Metallgesellschaft secures another source of supply for its smelters.

Both groups have struggled to counter the effects of low metal prices in the 1980s. Metallgesellschaft has made modest profits in the 1980s as it carried out extensive rationalisation of loss-making businesses.



Mr Norman Fussell: "ours is a long-term business."

It paid its first dividend in four years on the 1984-85 results, which showed a net profit of DM 61.4m ($30m) on a turnover of DM 14.6bn.

With heavy debts, MIM has been in a difficult financial position. Last year it bought a stake in Asarco, the troubled US mining group, from Mr Robert Holmes à Court, the Perth financier. Asarco already had an interest in MIM. The deal was roundly condemned by the company's critics as a defensive alliance of two groups vulnerable to take-over. MIM's stake in Asarco now stands at 32.7 per cent and Asarco owns 37.7 per cent of the Australian group. However, MIM recently announced a A48.2m (US$30.3m) net profit for the year to June 1986 after losses in 1985.

Both MIM and Metallgesellshaft see the Cominco deal as a "long-term counter-cyclical" move, according to Mr Heinz Schimmelbusch, a director of Metallgesellschaft and Mr Norman Fussell, a MIM director.

For Teck, the deal marks a coming of age, symbolised by the three seats it will hold on the Cominco board. Teck is one of a number of Canadian mining companies expanding through mergers and acquisitions. The Keevil family sold parts of its controlling interest six years ago to Metallgesellschaft, which has helped Teck expand into such ventures as the Bullmoose, in north-east British Columbia, and the spectacularly-successful Hemlo gold deposit, in western Ontario.

Teck had hoped to participate in a rationalisation scheme in the copper-mining Highland Valley of British Columbia. It was left out by the two other companies with interests in the area—Cominco and Rio Algom, an associate of Rio Tinto-Zinc. Teck came close to suing Cominco earlier this year. Mr Schimmelbusch said that the deal would allow Teck into the rationalisation scheme.

But none of the partners expect to get quick returns from Cominco. Mr Fussell said: "Ours is a long-term business. We are not in it for tomorrow but for 10, 20 or 50 years out. The stock market doesn't always understand that."

First six-month loss at Tan Chong Motors

By Wong Sulong in Kuala Lumpur

TAN CHONG MOTORS, distributor of Nissan cars in Malaysia and Singapore, has reported a loss for the six months to June, its first first-half loss since it was listed on the stock exchange 14 years ago.

Group pre-tax profits were a mere 337,000 ringgit (US$130,000), compared with a profit of 28m ringgit previously. This translated into a loss of 1.8m ringgit after tax, compared with 16.2m ringgit profits for the comparable period. On top, Tan Chong has to make provision for 4.4m ringgit in retrenchment payments. Turnover declined 47 per cent to 311m ringgit.

Volvo BV optimistic on launch of new model

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VOLVO CAR BV, which is 70 per cent owned by the Dutch Government, will remain profitable this year despite the cost of launching its new 480 sports car, Mr Andre Deleye, the president, said yesterday.

He said that from 1988 onwards Volvo BV will make at least 9 per cent net return on capital representing an annual profit averaging Fl 80m ($35m). Last year the company made a Fl 4m profit.

"We have proved that small-volume car manufacture can be profitable," he declared during the preliminaries to the Paris Motor Show.

Mr Deleye said Volvo BV will this year produce about 114,000 cars, most of them the 300 Series models. This is well above its nominal annual capacity of 105,000 and the 100,000 break-even point. Sales will reach 120,000 this year so stocks will be reduced. In 1985 the company produced and sold 112,000 cars.

Mr Deleye said Volvo BV faced tough negotiations in the UK, its best export market which takes about one-third of its car output, because of the steep slide in the value of the pound.

Volvo BV drew up its 1986 budget in co-operation with the UK importer when the pound bought 4.6 florins. Today it buys only 3.3 florins, a 25 per cent reduction.

Deficit mounts at Neptune Orient Lines

By Steven Butler in Singapore

NEPTUNE ORIENT LINES, the Singapore government-controlled shipping company, has reported record net losses of S$41.78m (US$19.2m) for the first six months of the year—compared with a S$17.46m deficit in all of 1985. Turnover in the six months fell to S$422.47m from S$435.58m in the comparable 1985 period.

The company said, however, that the ship market, particularly for tankers, improved toward the end of the second quarter. It expects that falling marine bunker prices, interest rates and operating costs will return its operations to profitability in the second half.

Pearson expands Penguin interests with US deal

BY MARTIN DICKSON IN LONDON AND ANDREW FISHER IN FRANKFURT

Penguin, the publishing company owned by the Pearson group, yesterday announced a major expansion of its US interests with an agreement to buy New American Library (NAL)—a leading paperback house—from a group of investors.

Pearson — which also owns the Financial Times — declined to put a value on the deal last night, but NAL had sales last year of about $100m. The vendors are led by Odyssey Partners, a venture capital house, and NAL's own management, which are thought to have acquired the company three years ago for about $50m.

Penguin has owned the American Viking house—largely a hardback imprint—since the mid-1970s and the acquisition of NAL would give it a major paperback presence in the US for the first time.

This, in turn, should increase its ability to retain authors under its own imprint, rather than sub-contracting out paperback rights. NAL is said to be among the top five US paperback houses.

Mr Peter Mayer, chief executive of Penguin, said at the Frankfurt book fair that the combined group would be able to compete even more effectively in an increasingly international publishing industry. The door would be open wider for Penguin in the US while NAL would have the opportunity for a major expansion into international markets.

"It's a terrific thing for Penguin," he added. "We have always sought to be a significant player in the US." Penguin's turnover last year was £120m, of which the US contributed about $50m. The NAL deal would create a balance between the contributions from America and the Commonwealth.

The move comes at a time when Pearson itself is the subject of takeover speculation: earlier this month Hutchison Whampoa, the Hong Kong trading company, revealed that it had built up a 4.9 per cent stake in Pearson and wanted to discuss the creation of commercial links between the two.

NAL publishes mass market paperbacks under the Signet, Onyx and Mentor imprints and also hardcover and trade paperback books. Last year it acquired E. P. Dutton, which publishes adult and children's hardcover and paperback books.

Penguin last year greatly expanded its UK interests with the acquisition of a substantial part of International Thomson's trade publishing companies, including Hamish Hamilton, Sphere and Michael Joseph.

GA merges N Zealand operations with Pru

By Nick Bunker

TWO OF the UK's biggest insurance groups, General Accident and the Prudential Corporation, are to join forces for the first time in a merger of their New Zealand life and general insurance operations.

The announcement yesterday came the day after General Accident revealed it is taking a 20 per cent stake in a banking company formed by Countrywide, New Zealand's largest building society.

The joint venture with the Prudential involves a partnership between General Accident Insurance Company New Zealand, and the local branch of the Prudential Assurance Company. The merged life operation will be managed by a new company, Prudential Assurance Company of New Zealand, owned 80 per cent by Prudential and 20 per cent by GA.

Prudential's fire, general and marine insurance portfolio will be merged with GA New Zealand, in which the Prudential will take a 20 per cent shareholding.

In a joint statement, the two companies said the merger was a specific response to the New Zealand market. The country produces less than 1 per cent of GA's worldwide general insurance premiums, and a similar proportion of Prudential's life business.

The move will take the merged operation into the top five insurance groups in New Zealand.

● Mr Frank Holland, the former chairman of C. E. Heath, the insurance broking group, has resigned from the group's board. He had been a non-executive director

Capital & Counties expansion in US

BY PAUL CHEESERIGHT PROPERTY CORRESPONDENT

Capital and Counties, the London property company, is substantially increasing its US interests with the purchase for $46.3m of the 76.83 per cent of Westamerica Properties it does not already own.

The sellers are Prudential Assurance and Equity and Law Life Assurance, each with a 26.83 per cent stake in Westamerica, and Fleming Mercantile Investment Trust with 23.17 per cent.

Mr Dennis Marler, the Capital and Counties chairman, explained yesterday that the end of their joint venture, started in 1972, follows on from the assumption of Westamerica's management by Capital and Counties at the beginning of the year.

But since 1980 the joint venturers had seen Westamerica as a passive investment, if only because the aims of a property company, two insurance groups and an investment trust made difficult the definition of a development plan.

For Fleming Mercantile, the sale comes at a convenient time. Under relatively new management, the sale, combined with new investments in a docklands communication system, gives an impression of more aggressive management in the face of a bid threat from British Empire Securities.

With sole control of Westamerica, Capital and Counties has reached its target of owning more than 25 per cent of its assets overseas. The most significant parts of its foreign portfolio are in the US and Australia.

Capital and Counties is paying $33 a share to buy out the joint venturers. This is a discount of 23 per cent on Westamerica's net asset value per share. This involves total payment of $32.76m.

At the same time Capital and Counties is redeeming loan stock issued by a Westamerica subsidiary at a cost of $13.5m, thereby bringing its total payment to $46.3m.

The Capital and Counties share price remained unchanged yesterday at 235p. The company is 91 per cent owned by Transatlantic Insurance Holdings, itself 50 per cent owned by Liberty Life of South Africa.

MONTHLY AVERAGES OF STOCK INDICES

	September	August	July	June
Financial Times				
Government Securities	85.98	89.28	89.74	91.88
Fixed Interest	92.76	95.68	96.40	96.77
Ordinary	1,286.2	1,262.1	1,309.6	1,332.13
Gold Mines	312.5	222.7	195.7	207.3
Total Bargains	20,994	20,709	24,728	24,566
F.T.—Actuaries				
Industrial Group	836.82	822.60	836.28	846.26
500 Share	880.92	861.26	867.63	878.37
Financial Group	603.93	593.34	609.42	589.94
All-Share	802.27	783.83	791.41	795.17
FT-SE 100	1,624.8	1,585.7†	1,596.4	1,610.9

	Sept Low	Sept High
Ordinary	1,212.6(29th)	1,338.4(5th)
All-Share	762.47(29th)	830.45(5th)
FT-SE 100	1,599.2(29th)	1,684.8(5th)

† Correction

Amari falls 15% to £3.5m

BY TERRY POVEY

Amari, the UK's largest independent stockholder of aluminium and stainless steel, yesterday announced a 15 per cent fall in pre-tax profits on sales static at £83.5m for the six months to June 30.

Ms Nicola Brookes, Amari's finance director, said flat demand in the UK and North America, a small loss at the recently acquired Ontario Metals Supply and the absence of the modest contribution from Century Aluminium were the main reasons for the drop in profits. Century was sold last year for £7m and made profits of around £700,000 in 1984.

Pre-tax profits for Amari in the six months were £3.47m against £3.67m in the same period in 1985. Taxes paid were £1.3m (£1.47m) leaving profits attributable to shareholders of £2.1m (£2.13m) after payments to minorities of £98,000 (£63,000).

Earnings per share on the capital weighted for the issue of 500,000 shares as part of the CJA Stainless Steels acquisition is calculated by the company as 7.1p (7.4p). An unchanged interim dividend of 3p is to be paid.

Mr Michael Ward Thomas, the chairman, said that the most important event in the recent period had been the raising of £10.4m net in July through the issue of convertible preference shares. Conversion can only begin in 1989.

As a result of the Century disposal and the rights issue, Amari has succeeded in reducing its net debt

Amari is in discussions to acquire the Charles Davies metal trading arm of Boustead. While discussions over this purchase—the cost of which would be "modest" said Ms Brookes—have not yet been finalised, Amari has approached the London Metal Exchange in order to see if there were any objections to it owning the Davis seat.

● comment

These are disappointing interim figures from Amari and it is touch and go whether the £½m that should be earned on the preference cash will be enough to see the year end total over the £7½m mark. The failure of industrial output volumes to rise in response to lower crude oil prices has probably put paid to any hope of a recovery this year from the depressed 1985 performance. The shares depend for support on yield stock status although the institutions will certainly be looking for an improvement in the 7.4 per cent dividend return. While the share price is overhung by the prospect of the eventual conversion of the preference stock, fully diluting for this issue depresses the prospective p/e just below 9. However, the poor outlook for metal bashing generally will probably keep the lid on Amari's shares at 120p. Speculation that the Leavilte subsidiary, which could produce £1m pre-tax this year, may be floated on the USM should not overheat the market as it will be done in order to be able to dish out some shares to senior management rather than to fill the coffers.

DIVIDENDS ANNOUNCED

Arbuthnot Dir¶‖ 1st int	2.5	Nov 14	3	—	12
Arbuthnot Jpn¶ 1st int	0.25	Nov 21	0.25	—	0.25
Laura Ashley ......int	0.75	Jan 2	—	—	1
Baillie Gifford	0.4	Dec 8	0.6	0.4	0.6
Cussins Property ...int	2.6	Nov 28	2.4	—	6
Davidson Pearce ...int	1.2	Nov 22	1	—	1.5
Falcon Industries ...int	Nil	—	0.5	—	0.5
KCA Drilling ......int	Nil	—	1.5	—	1.5
Laing Properties ...int	3.5	Nov 21	3	—	7
RH Morley‡	1.75	—	1.5	1.75	1.5
NEI ....int	1.65	Jan 2	1.65	—	5.25
Shandwick	3†	—	—	4.23	—
Throgmorton Secured	3.25	Nov 18	2.75	4.25	3.75
Thurgar Bardex ...int	0.6	Nov 7	0.2	—	0.6
Worcester GP‡ ......int	2.2	Nov 14	—	—	—
Amari ....int	3	Nov 14	3	—	6.2

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Gross throughout. ‖ US cents.

Write down in Denmark hits Petrogen

Struck after an exceptional write-down of the Danish property and abortive merger costs totalling US$1.65m (£1.14m), Petrogen Petroleum suffered losses of $1.9m (£1.31m) for the year ended February 28 1986, against a previous $86,509.

Included in expenses was $287,604 related to the costs attributed to attempted mergers and acquisitions, the directors pointed out.

In each of three instances, after detailed evaluation, it was determined by the directors that each planned acquisition was not in the best interests of the company's shareholders.

To ensure the group's continued viability, the directors, at meetings in March and May of this year, adopted a series of cost-cutting measures. In addition to the elimination of the president's salary, accomplished by his waiver of all rights under his employment agreement, directors determined greatly to reduce other administrative expenses, included those associated with the UK office.

In Nebrasko, the group and several of its working interest partners have entered into a 21-well farmout programme resulting in a further testing of the leases without any additional capital outlay. The directors said that these reductions and arrangements should enable the group to attain a positive cash flow.

Memcom holders shun rights

Memcom International, the troubled electronic filing systems maker quoted on the USM, reported that less than 5 per cent of its £2.3m rescue rights issue had been taken up. The rest will go to the underwriters

Of the 1.03m new ordinary shares and £2.18m of 10 per cent convertible secured loan stock 1989 on offer, some 49,351 ordinaries and £90,515 ofthe loan stock were taken up by shareholders.

UK COMPANY NEWS

Shop openings behind Laura Ashley advance

A CONTINUING programme of shop openings and additional sales from existing stores enabled Laura Ashley Holdings, the fashion and design group, to lift its turnover by 29 per cent and its pre-tax profits by 14 per cent at the six months stage.

The directors said yesterday that trading in the second half was encouraging and that they looked forward to a satisfactory result for the full year.

They added that with a further 36 shops due to open in the remaining six months in addition to the eight acquired in Germany, prospects for further growth in all markets were very good.

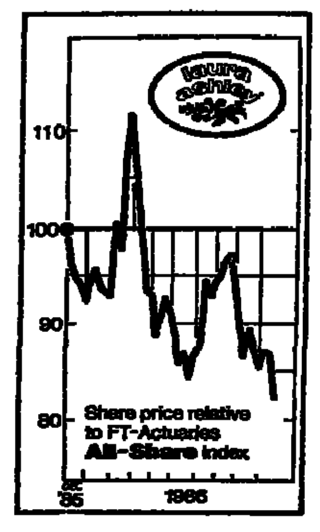
Group turnover for the 26 weeks to July 26 1986 improved from £59.84m to £77.42m and profits before tax from £7.62m to £8.73m—City analysts were looking for profits in the region of £9m to £9.5m.

The pre-tax results took in a £63,000 share of related companies' profits and royalty income of £765,000, down from £1.1m. Interest charges were cut by £292,000 to £142,000.

Had exchange rates been at the same level as those for the first half of 1985 pre-tax profits would have been higher by more than £1m.

Tax accounted for £3.26m (£2.72m) and left net profits £0.55m ahead at £5.46m.

Earnings amounted to 2.74p (2.46p) and an interim dividend of 0.75p net is being paid. The group was floated onto the stock market last November and for the year to January 25 1986 paid a single dividend of 1p from pre-tax profits £1m above forecast at £17.96m.



The directors said that during the opening six months of the current year trading conditions in the UK were not helped by the very wet spring and a lower level of tourists in the London shops.

However, turnover increased strongly with a further 12 shops being opened throughout the UK and existing provincial shops performed well compared with last year. UK shops and mail order accounted for 45.7 per cent of group turnover.

The North American division increased turnover by 34 per cent in local currency with growth from existing shops and from 13 additional shops opened during the first six months.

Performance by the Canadian business, purchased from the group's joint venture partner prior to flotation, was very strong both in terms of sales and in profitability. The North American division accounted for 37.8 per cent of consolidated group turnover.

Continental Europe generally performed well with a 17 per cent increase in turnover in local currency. There were increased contributions in nearly all markets.

Although the Paris shops were affected by a lack of tourists during the first six months, the French provincial shops performed satisfactorily.

The shop opening programme was concentrated in the second half and was accelerated by the acquisition from another British retailer of eight shops in prime sites in Germany.

The European retail business accounted for 12 per cent of consolidated group turnover.

Australia and Japan traded satisfactorily. The director said the were looking forward to a substantial shop opening programme in Japan. Sales from the Japanese operation were not consolidated. Sales from the Australian shops accounted for 1.5 per cent of group turnover.

The product division ensured that productivity output kept pace with the rate of growth in the retail divisions. Work on the new textile printing plant at Newtown, Powys, is on schedule and will commence operations in early spring 1987.

See Lex

Mr Edmonds alternatives to bid from Sears

By David Goodhart

England cricketer Mr Phil Edmonds yesterday spelt out his alternative proposals to the current £3.3m agreed bid by Sears for Blacks Leisure, the troubled camping and leisurewear group, and urged Black's shareholders to "come and do deals with me."

Mr Edmonds was on his home ground at Lord's for the unofficial meeting of Black's shareholders opposed to the deal, but admitted to being a little less at home in the complex rules of the Stock Exchange.

The cricketer and his business partner, Mr Harold Winton, spelt out four possible "scenarios" for the shareholders:

Sears, which already has acceptances from over 50 per cent of Blacks' shareholders, persuades most of the outstanding shareholders to accept; Sears takes over Blacks but with a "substantial minority group going for a ride with them"; Sears pulls out of the deal because the minority is too large and then Blacks faces liquidation; Sears and Blacks' management accept the Edmonds-Winton alternative.

Mr Edmonds said he believed that the current offer was far too low for a company with Blacks' reputation and with more than £3m in tax losses and that the preferential shareholders were benefitting from the terms of the current offer. He said he favoured either the second or fourth option.

The Edmonds-Winton alternative involves Blacks selling most of its 42 shops, stocks, tax losses and other assets to Sears for £3.3m—as is currently planned—but leaving a shell company with £3.2m in the bank into which Mr Edmonds can reverse his own small department store company.

Mr Winton said there was no technical obstacle to such a deal and it could be in everyone's interests. He also warned Sears that at least 20 per cent of Blacks' shareholders would remain implacably opposed to the present deal—which closes today at 1 pm.

However, Mr Andrew Herd, representing Blacks' management's merchant bank Arbuthnot Latham, said the Sears offer was the only practical one

P & O gives undertakings

Formal undertakings have been given by Peninsular and Oriental Steam Navigation that it will keep its stake in European Ferries below 21 per cent until the Monopolies Commission investigation into the relationship between the two companies is complete.

The shipping company has also agreed not to exercise voting rights over and above 16 per cent of the voting rights in EuroFerries' capital, nor sell off any of its shares in European Financial Holdings piecemeal.

The undertaking follows P&O's £36m offer for a 50.01 per cent stake in European Financial Holdings, which in turn holds 20.8 per cent in EuroFerries, last June.

HunterPrint expansion

HunterPrint, the commercial colour printer which stepped up from the USM to the main market last February, is boosting its financial printing interests with the purchase of two specialist companies for £3.46m.

The companies concerned, Metcalfe Cooper and Stockwell Press are currently owned by Security Holdings—a private company controlled by ex-Pitman managing director Mr Donald Davis, fellow directors Paul Stancliffe and Reg Boxall, and four institutional shareholders. When the acquisition is complete, Mr Davis will join the HunterPrint board and Mr Stancliffe and Mr Boxall will remain executive directors of the two companies.

Together, Metcalfe Cooper and Stockwell, made around £490,000 before tax in the year to end-September 1986. But the bulk of that came from the larger Metcalfe, whose sales totalled some £6m. Stockwell, which was acquired by SHL in 1984, is only breaking even, after initial losses. Net asset value of the two companies a year ago stood at just £154,000.

To pay for the two companies, Hunterprint plans to issue 1.341m new shares and pay a further £6,616 in cash.

Hunterprint, meanwhile, is forecasting pre-tax profits 30 per cent higher in the year to end-September at £3.1m — in line with analysts' expectations. It plans to pay a total dividend for the year of 7p, almost 40 per cent higher than in 1984-85.

Nick Garnett takes a look at NEI's £75m restructuring plan

Going back to the roots

TWO YEARS ago, yet another round of restructuring at Northern Engineering Industries, Mr Terry Harrison then its chief executive announced that the group was getting "preciously close" to putting its business on a solid foundation.

Sure, there would be more slimming down but vast tracts of business were in great shape, a new group structure was looking very good and the company was quickly "growing up."

Yesterday, as NEI's chairman, Mr Harrison made another and rather more formal announcement.

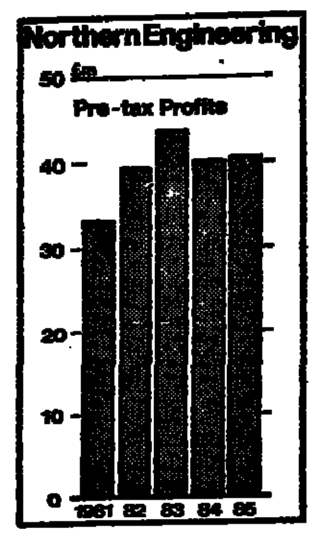
After looking at some dreary market forecasts for one of its products, the group had embarked on a reorganisation of the trading operations and management structure so fundamental that it will prove to be the biggest shake-up since NEI was formed in 1977 out of the north-eastern based companies Clarke Chapman and Reyrolle Parsons.

Not only will that restructuring cost £75m but iti n some ways represents the return of NEI to its power generation equipment roots, the collapse of the high technology diversification strategy of Mr Harrison's predecessor in the early 1980s and a recognition of how tough it is to push overheads down in a sprawling and complicated manufacturing structure.

Everyone associated with the group must hope that it is not another false start.

Two things have happened since Mr Harrison talked about the future of the group back in November 1984. Firstly he became chairman in May this year, a harder nosed relacement for Sir Duncan McDonald and under whose influence NEI's rather insular management has been toughened up.

Mr Terry Harrison, chairman of NEI



Secondly, business forecasts proved far too optimistic as markets slithered or stood still and profits remained flat while the group struggled with its overhead costs.

The two US companies which Sir Duncan had seen as a means of moving into electronics' related activities and into the US have proved unwise purchases.

Extel, which makes communications terminals, suffered from deregulation and some plain old resistance from potential purchasers

Output per employee between 1978 and 1984 across NEI rose from £11,000 to £30,000 but rationalisation put into effect before this year—like that of Reyrolle switchgear with Peebles electric motors and generator business—has simply not been enough to contain costs and to keep up with the productivity advances made by some of NEI's foreign competitors.

The group has also been on a long learning curve across a range of unrelated issues—from how to put big design and contracting projects together as in the Indian Rihand project, to improving its relationships with Whitehall and the City.

Meanwhile it has had to cope with a drop in the sterling value of earnings from its South African operations.

Above all, NEI's basic business—building and supplying equipment for power stations—has remained depressed, in particular by the lack of new station construction in the UK.

This will now force on NEI another "downturn" in its UK manufacturing activities, says Mr Harrison. The group has been successful notching up power station orders abroad but not to the level necessary to keep its plants busy.

The group believes, however, that the medium term outlook for power station construction is good and that is one of the cornerstones of what Mr Harrison called the group's new "strategic plan."

That involves concentrating attention on power generation and materials handling

To help do that it is going to rid itself of most of its "periphery activities" which absorb money and management time and which includes the two US operations and its South African business and it will try to drive down overhead costs at a faster pace by yet more rationalisation.

As part of all that the slimming down in the workforce looks to be much greater than was envisaged two years ago.

Some of these changes are already being put into effect. NEI NUclear Systems, NEI Projects and NEI International have been merged into NEI Power Projects, the Sir William Arrol crane making plant in Glasgow has been shut and, last year Reyrolle on Tyneside moved onto one site.

The group announced yesterday that crane manufacturing (another depressed sector) of Cowans Boyd in Carlisle and Wellman Booth in Leeds were being transferred to NEI Clarke Chapman, and the Reyrolle Belmos electrical controls plant in Scotland was shutting.

NEI believes that the UK will need perhaps five new power stations by the late 1990s. That capacity—about 10,000 MW—will have to be ordered between now and the end of next year.

The group's position in relation to those potential orders will by then give some indication where NEI is going.

A 'poor year' in store for shareholders

MR TERRY HARRISON, the chairman of Northern Engineering Industries, warned shareholders yesterday that because of a comprehensive reorganisation of the group's trading operations 1986 would be a poor year in terms of results.

He added, however, that it would be a year in which NEI would have taken stock of its position and would have established a firm base from which to move forward.

Profits for the first six months of 1986 felt the impact of the reorganisation and at the pre-tax level they fell from £21.5m to £10.6m having taken account of redundancy and other charges in the UK amounting to £8.1m.

The major costs were felt below the line. Extraordinary provisions of £29.2m, representing the costs so far of the programme (excluding redundancies), left the group £24.6m in the red, compared with previous profits of £12m. Extraordinary provisions for the second half were anticipated at £38m.

Mr Harrison said the order intake for the opening six months was encouraging at close on £360m, despite the absence of any major contracts, and net orders on hand stand at £900m.

He pointed out that NEI was competitive in world terms with its mainstream products and that there were good prospects overseas. Although it was difficult to predict the timing, Mr Harrison was confident that a number of these would be converted into contracts.

Shareholders were told that the rationalisation programme would further increase the group's competitiveness and, together with a share of the emerging UK power station programme, would lead to a marked improvement in NEI's performance.

He said the board feel justified in the light of this assessment, in maintaining the interim dividend at 1.65p net per 20p share. In the absence of unforeseen circumstances, they would expect to maintain the final of 5.25p.

First half earnings worked through at 2.11p (5.5p) pre-extraordinary items.

Turnover for the period increased to £465.6m, an improvement of 10 per cent over last time's £423.3m — the group's main business is heavy engineering.

Of the total £356m was generated in the UK of which £151m was direct export.

Apart from reorganisation other factors affecting the pre-tax result were adverse currency movements and trading losses in the US.

Tax accounted for £4.8m (£7.5m)

See Lex

UK COMPANY NEWS

Acquisitions and organic growth lift Shandwick

ALTHOUGH THE 1985-86 results from the Shandwick group were boosted by acquisitions, the original company which was floated on the USM a year ago, showed strong organic growth.

The group, one of the UK's largest public relations undertakings, produced a pre-tax profit for the 12 months ended July 31 1986, of £1.37m, against an adjusted £659,000. Acquisitions included were Publicity Plus Group, Leslie Bishop Group, John Fowler and Partners, and Vernon East Public Relations.

Mr Peter Gummer, chairman, said acquisitions had clearly boosted profits, operating income and earnings per share. But the original group grew strongly, with its operating income ahead from £2.9m to £4.1m.

The profit was struck after exceptional debits of £281,000 (£365,000), including reorganisation costs and non-recurring management remuneration incurred prior to flotation or acquisition.

Group turnover rose from £8.26m to £10.97m and the operating profit from £5.49m to £7.13m. After tax £589,000 (£297,000) the net profit came to £776,000 (£362,000) for earnings of 17.3p (10.3p) per 5p share. The final dividend is 3p—against 2.45p forecast—for a net total of 4.225p.

Since the year-end the consultancy services "continued to be in great demand," the chairman stated. The company had completed the acquisition of Business Image, the high-tech PR consultancy, and continued to assess a number of opportunities to expand its UK and international capabilities.

Polymark recovery under way

Polymark International, the laundry, agricultural equipment and technographics group which has survived a tough few years, achieved substantially higher interim pre-tax profits of £318,000, against £6,000.

Mr Len Weaver, chairman, was confident the overall performance for 1986 would confirm Polymark's recovery from the major setbacks of recent years. "Prospects are better than they have been for several years," he said.

But the company has again deferred payment on its "A" shares, due on December 31, 1986 until it has "achieved the profit stability necessary to sustain continued dividend payments."

Polymark showed a full-year profit of £8,000 in 1985 for the first time in three years, after a substantial restructuring and product rationalisation programme.

The company also announced the sale of its Dutch subsidiary, Polymark BV, for £448,000. This will result in an extraordinary loss of about £60,000 after deducting selling costs and tax charges. But proceeds from the sale have reduced group borrowings, while interest charge savings will compensate for loss of profits.

Exceptional items charged in arriving at the pre-tax profit included £46,000 (£82,000) for redundancy costs and £32,000 for the group's share of expected losses in setting up Japan Polymark, a related company.

The laundry division boosted profits to £267,000 from £215,000 after continuing to make headway in export markets and increasing its share of UK laundry equipment sales.

The technographics division turned a loss of £281,000 to a £7,000 profit. But its profits for the full year will be affected by start-up costs for developing a computerised garment control system.

Increasing sales of a new product range have meant further investment in printing machinery at the division's new Wembley plant.

The agricultural division reduced its 1985 half-year loss from £148,000 to £93,000 following a 13 per cent increase in sales. It has suffered a seasonal decline in the third quarter, but new trade in the UK and the US promised higher production levels and improved cost recovery in the last quarter.

Turnover was up £785,000 to £11.2m.

The shares rose 2.5p to 16.5p

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Barker and Dobson, Bio-Isolates, BSG International, Fosseco Minsep, Kleinwort Benson (Guernsey), MY Holdings.

Finals: Ablogworth, Amstrad Consumer Electronics, A. Beckman, Kleinwort Development Fund, Synapse Computer Services.

FUTURE DATES

Interims:	
Allebone	Oct 15
Campari International	Oct 9
Carlton Industries	Oct 22
Lamont Holdings	Oct 7
Mowlem (John)	Oct 8
Slingsby (H. C.)	Oct 13
Turriff	Oct 6
Warrington (Thomas)	Oct 3
Finals:	
Close Brothers	Oct 6
Murray Electronics	Oct 2
National Home Loans	Oct 28
Photo-Me International	Oct 9
Prestwich	Oct 10
Rivoli Cinemas	Oct 2
Tottenham Hotspur	Oct 3
TRW—Television South West	Oct 8
TV-am	Oct 14

Davidson Pearce at £1.3m in first half

FIRST HALF profits from the Davidson Pearce Group of advertising agents have risen by 14 per cent, from £1.14m to £1.3m.

And for the full year the company was expecting a satisfactory improvement over 1985, when the profit came to £2.26m, said Mr Christopher Hawes, chairman.

The company continued to be committed to the long term development of a widely based communications group, and was active in considering a number of suitable opportunities.

The directors reported that the group had made a good start to 1986, with billings ahead 6 per cent to £40m and turnover up 11 per cent to £30.74m. The group's shares were offered for sale a year ago.

The Davidson Pearce agency had been assigned further new product development projects from existing clients and recently added four major gains to its portfolio. New business interest in the agency continued at a high level.

The three other companies were progressing satisfactorily. The direct marketing company, Davidson Pearce and Goozee Direct, added new clients and worked jointly with the agency on a number of accounts.

Both Artefact, the art studio acquired in April, and Davidson Pearce Frontline, set up in the same month, were developing well.

After tax £511,000 (£483,000) and minority credits of £3,000 (£5,000 debits), earnings for the half year came out at 6.12p (5.03p). An interim dividend of 1.2p is declared.

Record orders put Quest in profit

Quest Automation made good progress during the six months to August 31 1986, and for the period returned profits of £1.25m pre-tax compared with losses last time of £451,000.

The directors of this computer products supplier said yesterday that the return to profit was a result of entering the year with record levels of orders.

Furthermore, with the current level of orders they anticipated the group's performance would continue to improve.

Turnover for the first six months imroved from £6.06m to £8.95m and gross profits worked through at £3.83m, compared with a previous £2.38m.

Pre-tax profits were struck after taking account of technical and development expenses amounting to £293,000 (£375,000), interest charges of £337,000 (£186,000) and last time a £9,000 share of related companies losses.

Earnings advanced from 3.07p to 8.33p per 10p share. There was again no tax charge.

The directors said the proposed arrangements with preferential shareholders to exchange their shares for ordinary shares would reduce the obligation of preferential shareholders totalling some £4m and would significantly improve the group's balance sheet.

The group also intends to utilise a greater part of the share premium account which has been included by preference share conversions to eliminate the accumulated deficit on the profit and loss account.

Furthermore, with a balance sheet restructuring in hand and the group's performance expected to continue to improve during the second half, the directors expect to resume payment of dividends for the current year.

The preliminary results for the 1985-86 year have been restated following a decision to account for certain forward sold contracts in the current year rather than last year.

The effect was to move £786,000 of profit from 1985-86 into the current year and on a restated basis the group made a pre-tax loss of £1.11m (£307,000 profit) last year including interest charges of £710,000 (£302,000).

Jacques Vert jumps 73%

A 73 PER CENT jump in pre-tax profits for the half year ended July 19 1986 has been recorded by Jacques Vert, the manufacturer and retailer of women's high quality fashion wear.

On turnover ahead £2m to £6.76m, the gross profit improved by 54 per cent to £2.5m, operating balance by 56 per cent to £1.12m, and the pre-tax figure came through at £1.2m, compared with £692,000.

Mr Alan Green, chairman of the group whose shares were admitted to the USM last December, said gross margins rose to 37 per cent, from 34.5 per cent, with most of the improvement flowing from the wholesale operations. The rest stemmed from the higher levels of retail margins included in the accounts for the first time.

The fact that wholesale overheads remained largely static in spite of the higher turnover accounted for the increase in net margins.

He said spring sales and autumn 1986 orders were both records, and orders for spring 1987 were encouraging. The accessories, shoes, belts and co-ordinated jewellery enjoyed a good autumn season and again orders for spring were buoyant. Exports have grown 23 per cent since January.

The company produces the majority of its garments in factories at Washington, Tyne and Wear, and sells them through major stores and high street retail outlets. It had five of its own retail shops operating (all profitably) and expected the number to be nine by the year-end.

After tax £470,000 (£326,000) the net profit for the half year worked through at £725,000 (£366,000), with earnings at 7.95p (4.33p) per share.

Falcon hit by poor spring

POOR SPRING weather has hit the profits of Falcon Industries, building, tools and engineering group, in the first half of 1986 and the interim dividend is being passed. The final dividend was omitted last year after losses were suffered in the second half.

The directors yesterday stated that it was hoped to resume the dividend after planned disposals and reconstruction had been completed, which was expected at the end of the year or early 1987.

In the six months to June 30 pre-tax profits were down from £531,000 to £502,000, but these followed £309,000 losses in the 1985 second half. Turnover fell by £3.23m to £18m.

The directors stated that present indications showed that the overall 1985 profit of £222,000 should be improved upon by the year end.

Weather was blamed by directors for a drop in demand in two of the company's divisions. Jenks and Cattell saw profits fall from £348,000 to £139,000 and Burgon and Ball—soon to be sold off—suffered a £95,000 turnround to losses of £72,000.

Dencora improves and sees big year-end increase

Dencora, the USM-quoted property development and investment group based in East Anglia, increased pre-tax profits by 10 per cent to £740,000 in the first half of 1986, despite higher interest charges of £1.39m (£1.17m). Turnover was up by £596,000 to £6.53m. Earnings per share were 3.5p (5.1p).

The board said it expected the year-end profit to show a significant improvement on the £1.05m of 1985.

In his statement the chairman, Mr John Laurence said that lettings continued to be encouraging with the majority of properties being let before or on completion.

Rental income has increased by 23 per cent due to rent reviews and new properties becoming available. The industrial estate at Harlow referred to in the year-end statement had been completed and was fully let.

Four schemes were scheduled for completion by the end of 1986 and out of these two were pre-let, one was the subject of a firm inquiry, and 11 out of 15 units had been let in the fourth.

In order to improve the portfolio, the sale of several smaller properties had been agreed and general building contracting was still being scaled down. This will continue until it becomes profitable.

Over 250 houses were expected to be sold this year. Two additional sheltered housing sites had been acquired and the terms for two more agreed. Steady improvement was shown by the builders merchandising side of the business.

CH BAILEY, ship repairer and engineer, reported pre-tax profits of £2,468 (£203,741) for year ended March 28, 1986, after exceptional credits of £15,922 (£301,149) being rates refund for prior years. There is again no dividend. Turnover was £6.17m (£6.67m). Earnings per share 0.303p (0.402p).

Rise of 52% for Procter & Gamble

Procter & Gamble, the UK subsidiary of the US manufacturer of detergents and allied products, pushed taxable profits ahead 52 per cent to £18.6m for the year ended June 30 1986, compared with £12.2m. Turnover rose from £425.7m to £443.3m, a 4 per cent lift only, but the directors stated that unit volume increases accounted for more than the overall turnover rise.

Profit progress was particularly strong, they said, in both the retail and foodservice as well as industrial cleaning products. In the industrial chemicals business unit volumes reached record levels, but profits declined mainly because of the impact of a rapid fall in raw material and glycerine prices.

Cost of sales for the year amounted to £402.03m, against £389.35m, leaving a gross profit for the period up from £36.36m to £41.26m. Distribution and administration expenses took £25.1m (£22.1m). there was an exceptional credit of £3.38m (nil) and net interest took £0.97m, down from £2.02m.

After tax of £4.78m (£2.29m) and dividends £7.2m (nil). there was £6.6m (£9.94m) retained.

Aidcom offshoot agrees buyout

Aidcom International has agreed to a management buyout at Cockman, Copeman & Partners, itself a specialist in advising management on buyouts.

The management and employees of CC & P have purchased a 51 per cent interest in the company from Aidcom for £831,000—the management already held a 49 per cent stake.

Aidcom is itself the subject of an agreed takeover by Addison Consultancy, the communications group.

GIBBS MEW is acquiring 13 public houses from J. A. Devenish at a cost of £1.5m cash. Completion fixed for November 1.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re	
CONTINENTAL AIRLINES CORPORATION, CONTINENTAL AIR LINES, INC., TEXAS INTERNATIONAL AIRLINES, INC., TXIA HOLDINGS CORP., TXIA FINANCE (EUROPE) B.V., TEXAS INTERNATIONAL AIRLINES CAPITAL N.V., and TEXAS INTERNATIONAL AIRLINES FINANCE N.V., Debtors.	Chapter 11 Case Nos. 83-04019-H2-5 through 83-04022-H3-5 and 85-05481-H3-5 through 85-05483-H3-5 Consolidated Case No. 83-04019-H2-5

TO THE HOLDERS OF THE GUARANTEED FLOATING RATE NOTES DUE 1986 OF TEXAS INTERNATIONAL AIRLINES CAPITAL N.V.:

PLEASE TAKE NOTICE THAT:

On June 30, 1986, the Third Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code (the "Plan") of Continental Airlines Corporation, Continental Air Lines, Inc., Texas International Airlines, Inc., TXIA Holdings Corp., TXIA Finance (Europe) B.V., Texas International Airlines Capital N.V. ("Capital N.V.") and Texas International Airlines Finance N.V. (collectively hereinafter referred to as the "Debtors") was confirmed by the United States Bankruptcy Court for the Southern District of Texas, Houston Division.

Cash Payments; Exchange Procedures

Pursuant to the Plan, on September 2, 1986 (the "Effective Date"), the Guaranteed Floating Rate Notes due 1986 issued by Capital N.V. (the "Old Notes") and the interest coupon maturing October, 1983 (the "October 1983 Coupon") were cancelled and converted into the right to receive, from and after such date, upon surrender of the Old Notes, new Floating Rate Notes due 1996 (the "New Notes") issued by Continental Airlines, Inc. ("Continental"), which has assumed all of the liabilities of Capital N.V. under the Plan, and a cash payment (the "Cash Payment"). A holder who surrenders an Old Note with the October 1983 Coupon attached will receive: (i) A Cash Payment of $835.36; and (ii) New Notes in the principal amount of $12,506.09; *provided, however,* that in accordance with Section 27.13 of the Plan, the principal amount of New Notes issued shall be rounded to the nearest $100, rounding up in the case of a principal amount of more than $50. Holders of Old Notes who tender Old Notes without the Coupons appertaining thereto will receive a *pro rata* reduction in the principal amount of New Notes and the Cash Payment to be received by them. Holders who only tender October 1983 Coupons will receive a *pro rata* amount of the New Notes and the Cash Payment. The New Notes will be issued in denominations of $100, $1,000 or integral multiples thereof.

The tables set forth below illustrate the operation of the preceding rounding and proration provisions:

EXCHANGE SCHEDULE FOR OLD NOTES TENDERED WITH OCTOBER 1983 COUPONS ATTACHED

Principal Amount of Old Notes ($ Dollars)	Principal Amount of New Notes ($ Dollars)	Cash Payment ($ Dollars)
10,000	12,500	835.36
20,000	25,000	1,670.72
30,000	37,500	2,506.08
40,000	50,000	3,341.44
50,000	62,500	4,176.80
60,000	75,000	5,012.16
70,000	87,500	5,847.52
80,000	100,000	6,682.88
90,000	112,600	7,518.24
100,000	125,100	8,353.60

EXCHANGE SCHEDULE FOR OLD NOTES TENDERED WITHOUT OCTOBER 1983 COUPONS

Principal Amount of Old Notes Tendered Without October 1983 Coupons ($ Dollars)	Principal Amount of New Notes ($ Dollars)	Cash Payment ($ Dollars)
10,000	12,200	817.48
20,000	24,500	1,634.96
30,000	36,700	2,452.43
40,000	49,700	3,269.91
50,000	61,200	4,087.39
60,000	73,400	4,904.87
70,000	85,700	5,722.34
80,000	97,900	6,539.82
90,000	110,100	7,357.30
100,000	122,400	8,174.78

EXCHANGE SCHEDULE FOR DETACHED OCTOBER 1983 COUPONS TENDERED

Number of October 1983 Coupons	Principal Amount of New Notes ($ Dollars)	Cash Payment ($ Dollars)
1	300	17.88
2	500	35.76
3	800	53.65
4	1,100	71.53
5	1,300	89.41
6	1,600	107.29
7	1,900	125.18
8	2,100	143.06
9	2,400	160.94
10	2,700	178.82

An exchange of the Old Note(s) for the New Note(s) may only be made by surrendering such Old Note(s) to J. Henry Schroder Bank & Trust Company, the trustee (the "Trustee") for the holders of New Notes if by mail, at:

One State Street
New York, New York 10015
Attention: Corporate Trust Department, 6th Floor

together with a properly completed letter of transmittal (the "Letter of Transmittal"). Copies of the Letter of Transmittal may be obtained from J. Henry Schroder Bank & Trust Company of New York at its address set forth above and from:

Continental Airlines, Inc. 2929 Allen Parkway Houston, Texas 77019 Attention: Mr. James Glennon	Cedel S.A. 67 Bd. Gr. D. Charlotte P.O. Box 1006 Luxembourg	Euroclear Operations Center P.L.C. Morgan Guaranty Trust Company Rue de la Regence, 4 B-1000 Brussels, Belgium

Each Cash Payment and the delivery of the New Note(s) will be made promptly following surrender of the Old Note(s) and/or October 1983 Coupon(s) by each holder thereof. The Cash Payments will be made by United States dollar check and will be mailed to the address specified in the Letter of Transmittal tendered by the holder of an Old Note(s). The Cash Payments will not bear interest after the Effective Date.

The right of any holder of an Old Note(s) entitled to receive more than $3,800,000 principal amount of New Note(s) to transfer such New Note(s) may be limited in accordance with applicable federal securities laws.

IT IS IMPORTANT THAT HOLDERS OF OLD NOTE(S) PROMPTLY TENDER THEIR OLD NOTE(S) TO THE TRUSTEE. UNDER THE PLAN, ANY NEW NOTES AND ANY CASH PAYMENTS DEPOSITED WITH THE TRUSTEE AND NOT CLAIMED WITHIN SIX YEARS AFTER THE EFFECTIVE DATE WILL BE RETURNED TO CONTINENTAL. AFTER SUCH TIME, THE HOLDER OF AN OLD NOTE(S) WILL BE REQUIRED TO PROCEED AGAINST CONTINENTAL TO OBTAIN ANY NEW NOTE(S) AND ANY CASH PAYMENT TO WHICH HE OR IT IS ENTITLED.

Description of the New Notes

The New Notes mature on the tenth anniversary of the Effective Date and bear interest through the fifth anniversary of the Effective Date at 1¾% above the London Interbank Offered Rate ("LIBOR"), and thereafter at 2⅛% above LIBOR, payable quarterly. The New Notes are not redeemable through the second anniversary of the Effective Date. After the second anniversary of the Effective Date, the New Notes are redeemable, initially at 106% of par plus accrued interest, and declining by 2% of par on each of the third, fourth and fifth anniversaries of the Effective Date, after which time they are redeemable at par plus accrued interest.

The New Notes are subject to a sinking fund which provides for 12.5% of the aggregate principal amount of the New Notes to be retired at the end of each of the fourth through ninth anniversaries of the Effective Date. In lieu of making the required sinking fund payment or any portion thereof in any year, Continental may purchase New Notes and tender them to the Trustee in whole or partial satisfaction of the sinking fund. Except as provided in the Plan, the holders of the New Notes will have the same rights as the holders of the Old Notes.

Additional information concerning the rights of holders of Old Notes may be obtained from Continental at its address set forth above or by contacting its counsel at the following address:

WEIL, GOTSHAL & MANGES
Attorneys for Continental Airlines, Inc.
767 Fifth Avenue
New York, New York 10153
Attn: Stephen B. Selbst, Esq.
(212) 310-8000

Houston, Texas
October 1, 1986

CONTINENTAL AIRLINES, INC.

UK COMPANY NEWS

Thurgar Bardex calls for £1.89m

BY NIKKI TAIT

Thurgar Bardex, the plastic extrusions and PVC window frames group, is celebrating a sevenfold increase in first half pre-tax profits at £704,000 before tax with a one-for-four rights issue to raise £1.89m.

In the six months to end-June, Thurgar made virtually the same profit as it did in the last full year — a sharp increase on the £101,000 scored in the first half of 1985. Sales were 69 per cent higher at £9.4m.

Part of the increase reflects the acquisition of plastic window frame supplier N and P, which contributed around £300,000 to the pre-tax total. Business here is "very buoyant," say the directors, and it is currently carrying a 10-12 week order book.

But the strength of demand at N and P — Thurgar's largest customer prior to its acquisition a year ago — has also had a knock-on effect on existing operations. Moreover, these have benefited from an £850,000 investment in modern extrusion lines made over the past couple of years.

The directors say they are confident that current sales levels can be maintained and that a successful year is in view. The interim dividend is being raised from 0.3p to 0.6p a share.

It is to take advantage of the sales upturn for PVC windows that the company is asking shareholders to put up £1.89m. The cash call involves the issue of 4.053m new shares at 50p, on a one-for-four basis. The issue has been underwritten by Barclays de Zoete Wedd.

The bulk of the money will go towards a new automated PVC window fabrication unit at Hitchin and four new extrusion lines. A bulk handling system is also planned for Kettering, plus some investment in new tooling and dies for both existing and new products. Once the new investment is in place, the company says its capacity should increase by around 40 per cent.

Initially, Thurgar will use the proceeds to cut borrowings. These have risen following the £1m purchase of two freeholds in October 1985 and last January, pushing interest charges in the first half up from £112,000 to £175,000.

Yesterday shares took more notice of the buoyant trading picture than the cash call — rising 1p to 63p.

Merrett's satellite buyer

Merrett Holdings, one of the biggest insurance underwriting groups at Lloyd's of London, has found a buyer for Westar 6, one of two satellites rescued from space in 1984 by US astronauts.

Johnson Geneva, a New York-based communications services company, has agreed to purchase the satellite for about $20m (£13.8m). The satellite, which was insured for $105m (£73m), was owned by a group of insurers who financed the rescue mission—by the space shuttle Discovery.

Hollas sale

Hollas Group has sold its 50 per cent shareholding in Town & County Estates (Cheshire) to Laurentian UK of the Imperial Life of Canada group, for £500,000. In addition, loans amounting to approximately £185,000 have been repaid to Hollas.

Hollas acquired the interest in T & C, which trades as Jordans Estate Agents, in 1984 for £156,000.

Laing Properties ahead at six months

Laing Properties, Watford-based property investment company, benefited from lower interest charges in the first half of 1986 and for the period saw its profits before tax rise from £7.4m to £8.2m.

As a further move to reduce disparity, the interim dividend is being stepped up from 3p to 3.5p net per 25p share.

The contribution to profits from the company's activities in North America suffered a reduction when converted to sterling. The effect was to reduce income by some £0.8m.

After making allowances for a similar currency adjustment in the second half the directors still expected the outcome for the full year to show a reasonable improvement over 1985.

First half investment income was little changed at £14.4m (£14.5m) but trading income fell from £2m to £1.2m. Interest charges were cut by £1m to £5.4m. Overheads accounted for £2m (£2.7m).

Tax for the year is expected to average around 35 per cent of pre-tax profits.

Worcester Group lifts profits to £600,000

Worcester Group, central heating boiler maker, which came to the USM in June, announced interim pre-tax profits of £601,000 up from £208,000.

The company expected the good trading conditions—the rapid increase in demand for Worcester's range of gas boilers—to continue to boost profitability in the second half.

The chairman, Mr Cecil Duckworth, said he was confident the company could improve its earnings per share. They stood at 10.1p, up from 4p.

The company has declared an interim dividend of 2.2p, which is ahead of the company's commitment at the time of the USM placing. This was for a total of 5.5p per share for the year with a third payable at the interim stage.

The company's subsidiaries, Packaging Products and Metal Constructions, were improving.

Countrywide

The Bank of Scotland is to take 40 per cent stake in the Countrywide Building Society of New Zealand, and General Accident will take 20 per cent. The proportions were reversed in yesterday's issue.

Partnership losses cut KCA Drilling profits to £1.21m

Including its share of partnership losses amounting to £1.57m, and with no exchange gains this time, pre-tax profits of KCA Drilling Group, onshore and offshore drilling contractor subsidiary of Roeschold, dropped from £3.64m to £1.21m for the six months ended June 30 1986.

This is compared, however, with the second half of 1985 when the group contributed £790,000 which took the full year's figure to £4.43m.

As last year's final, the interim dividend has been omitted. The directors explained that, in the 1985 annual accounts, they stated the company would not be in a position to apply future profits to the payment of dividends until the deficit in distributable reserves had been eliminated.

Turnover for the six months was down from £20.92m to £15.25m giving operating profits of £3.86m, compared with £4.54m.

After interest payable of £1.09m (£1.64m including £621,000 for drillship) and share of partnership losses, profits came out at £1.21m (£2.9m).

These were split as to: onshore and platform drilling operations £2.77m (£3.22m) and mobile offshore drilling operations £1.57m loss (£318,000 loss).

The directors stated that 1985 figures were restated to take account of the change in accounting policy in respect of the finance leases which became effective on December 31 1985.

The loss incurred in mobile offshore was attributable solely to the jack-up drill rig KCA Sandpiper and represents the group's 60 per cent share of the loss incurred by the partnership which owns and operates the rig, the directors said.

Despite the adverse conditions which continued to affect the contract drilling business, the group's onshore and platform drilling activities continued to perform satisfactorily in all areas.

In the UK the company had recently been awarded a 12 month contract for one of its UK land drilling rigs and two labour contracts in the North Sea.

Overseas the company has arranged a contract for an additional rig in Turkey.

The drillship and the jack-up continue to present difficult problems to the group, directors stated, as the company had been unable to secure further work for either rig since the beginning of the year.

A further consequence of the present market conditions was that directors had been unable so far to find a buyer for the drillship.

While there had been some interest in it the present market conditions for such rigs indicated that the company would have to be both patient and persistent if the drillship is to be sold at a reasonable price.

As reported in the 1985 group accounts the drilling KCA Kingfisher is currently on the market for sale. Full provision was made in 1985 for financing and other costs relating to the drillship expected to arise in 1986 and all costs in the period to June 30 had been offset against this provision, directors pointed out.

Cussins tops £0.5m and lifts payout

Cussins Property Group raised its pre-tax profits from a depressed £345,000 to £518,000 in the first half of 1986 and said yesterday that it believed the full year results would exceed 1985's £1.37m.

The interim dividend is being stepped up from 2.4p to 2.6p net per 20p share from earnings 3.1p ahead at 9.39p.

Turnover improved from £3.43m to £3.7m—the group develops commercial, industrial and residential property. Net assets at June 30 amounted to 241p (205p).

The directors said that on the residential side the volume of sales and completions was on the increase and despite fierce competition and a depressed second-hand market, house prices in the North East were beginning to rise.

They added that the group's first fully furnished and landscaped show village in Northumberland had attracted several thousand visitors and that this had undoubtedly provided a strong impetus to sales.

On the commercial side they expected the gross annual rent roll to rise to £1.4m by the end of the year (1985—£918,000).

During the year one of the North East commercial investments was sold to show a profit of £325,000.

The directors said the residential division looked set for a record year and progress towards the completion and letting of the Aylesham Centre should help to provide further growth in the group assets by the end of the year.

They concluded: "The quality of next year's residential programme coupled with the high level of advance reservations gives confidence for the future outlook."

R. H. Morley boosts profit by 40%

R. H. Morley Group, the USM-quoted polythene film and bag manufacturer, overcame the problems that caused the drop in profits in 1985 and has lifted pre-tax profit for the year to March 31 1986 by 40 per cent from £161,146 to £225,887. Turnover increased from £3.69m to £4.47m.

After tax of £83,871 (£48,964) earnings per share were 3.79p (3.47p) while the dividend is increased from 1.5p to 1.75p.

Since March directors said the company had continued to invest in order to compete in new market areas. A six-colour printer and a new extruder had been acquired. The company had also strengthened its management team with a new chief executive

With production running at record levels, operating results were expected to be improved in the current year.

The company are also negotiating to diversify into new areas and plan to change their name to reflect their new image, directors point out.

They stated that in three years net assets of the group had risen from £281,000 to £940,000 and that Morley were commencing the next stage of its growth.

Goodhead expansion

At the annual meeting of Goodhead Print Group, the contract printer, free newspaper publisher and paper merchant, the chairman, Mr Colin Rosser, said first quarter profits had been well ahead of last year's.

He was confident that 1986 would see a substantial increase in turnover and pre-tax profit.

Some of the group's operations had produced record results despite the fact that the first was not traditionally the strongest quarter, he said.

Results from the ten newly acquired free newspaper titles had been beyond expectations.

Decentralisation plans were progressing and two centres would be relocated by the end of October, he said.

NOTICE OF REDEMPTION

To the Holders of

International Standard Electric Corporation

6¼% Convertible Sinking Fund Debentures due 1989

(Convertible on and after May 15, 1970 into Common Stock of ITT Corporation)

NOTICE IS HEREBY GIVEN, that pursuant to the terms of the Indenture dated as of November 1, 1969 (the "Indenture"), between International Standard Electric Corporation (the "Company") and Bankers Trust Company, as Trustee (the "Trustee")(i) $1,250,000 principal amount of the Company's 6¼% Convertible Sinking Fund Debentures Due 1989 (the "Debentures") have been called for redemption through the operation of the mandatory Sinking Fund on November 1, 1986 pursuant to Section 3.02 of the Indenture at 100% of the principal amount thereof (the "Redemption Price"), and (ii) an additional $1,250,000 principal amount of the Debentures have been called for redemption through the operation of the optional Sinking Fund on November 1, 1986 pursuant to Section 3.02 of the Indenture, also at 100% of the principal amount thereof (the "Redemption Price").

On November 1, 1986, the Redemption Price will become due and payable upon all Debentures, payment of regular interest on the coupons will be made in the usual manner and all future interest thereon shall cease to accrue on and after said date. All Debentures, together with all coupons appertaining thereto maturing after November 1, 1986, are to be surrendered for payment of the redemption price at the main offices of any one of 1) Bankers Trust Company in London, 2) Bankers Trust Company in Paris, 3) Hollandsche Bank Unie, N.V. in Amsterdam, 4) Societe Generale de Banque S.A. in Brussels, 5) Dresdner Bank Aktiengesellschaft in *Frankfurt, 6) Banque Generale du Luxembourg S.A. in Luxembourg, 7) Banca Nazionale del Lavoro in Milan, and 8) The Corporate Trust Office of Bankers Trust* Company in the Borough of Manhattan, The City of New York; provided, however, that if Debentures are surrendered in the City of New York, certain certifications or information may be required in order to obtain relief or exemption from U.S. withholding taxes.

The following certificate numbers of Debentures are to be redeemed in whole for $1,000 principal amount:

9	555	1101	1531	1867	2136	2577	4350	4645	5238	5856	6460	8100	9813	10218	10575	10919	11482	12418	15078	17258	17576	18390	18767	19656
10	556	1102	1539	1869	2139	2585	4357	4647	5240	5859	6463	8241	9815	10219	10577	11020	11636	12422	15107	17263	17586	18393	18770	19657
11	557	1113	1540	1870	2142	2589	4358	4648	5242	5861	6464	8276	9817	10221	10579	11022	11770	12425	15113	17269	17595	18395	18771	19658
12	562	1114	1544	1872	2144	2592	4396	4649	5244	5864	6466	8282	9819	10223	10581	11025	11791	12428	15292	17275	17597	18396	18772	19659
13	563	1118	1546	1874	2145	2595	4397	4653	5245	5867	6480	8307	9821	10225	10587	11026	11795	12435	15511	17280	17601	18397	18774	19660
14	572	1119	1548	1875	2147	2599	4406	4655	5247	5869	6506	8321	9823	10227	10589	11028	11802	12438	15515	17283	17612	18399	18776	19661
15	573	1134	1550	1877	2149	2604	4407	4656	5249	5875	6508	8376	9825	10229	10593	11030	11806	12442	15519	17286	17618	18400	18778	19662
21	575	1135	1552	1879	2150	2610	4408	4667	5252	5876	6662	8394	9827	10231	10595	11032	11809	12445	15524	17289	17621	18401	18780	19663
22	606	1137	1554	1881	2151	2614	4418	4669	5253	5877	6694	8467	9829	10237	10597	11034	11812	12455	15541	17292	17643	18402	18782	19664
24	611	1140	1559	1884	2152	2626	4421	4671	5256	5897	6702	8490	9831	10239	10599	11036	11813	12458	15545	17293	17650	18403	18784	19665
25	614	1151	1561	1886	2153	2628	4423	4672	5258	5901	6724	8533	9833	10241	10601	11038	11826	12462	15548	17296	17657	18405	18785	19666
26	636	1161	1564	1888	2154	2636	4430	4673	5260	5903	6729	8553	9835	10243	10603	11040	11827	12466	15552	17300	17763	18407	18787	19667
27	637	1162	1567	1889	2155	2642	4432	4696	5261	5907	6732	8635	9837	10245	10605	11042	11829	12469	15556	17304	17767	18408	18789	19668
30	638	1167	1568	1892	2156	2646	4434	4734	5264	5909	6746	8650	9839	10247	10607	11044	11847	12472	15559	17309	17772	18410	18791	19669
31	641	1169	1570	1895	2158	2672	4441	4736	5265	5911	6750	8656	9841	10249	10609	11046	11849	12475	15562	17311	17774	18413	18792	19670
32	649	1176	1572	1898	2159	2679	4443	4737	5266	5932	6751	8953	9843	10252	10611	11048	11850	12478	15566	17313	17777	18457	18795	19671
41	692	1179	1574	1908	2162	2726	4444	4738	5268	5939	6752	8967	9845	10256	10613	11050	11852	12481	15569	17315	17781	18479	18796	19672
42	693	1180	1577	1911	2163	2733	4446	4740	5270	5944	6755	8996	9847	10258	10615	11052	11854	12513	15607	17318	17784	18480	18797	19673
43	696	1182	1585	1914	2165	2736	4447	4741	5272	5947	6760	9018	9849	10260	10617	11054	11855	12516	15662	17320	17790	18482	18861	19674
44	697	1183	1586	1917	2166	2758	4448	4743	5274	5950	6774	9098	9851	10266	10620	11056	11856	12519	15682	17322	17793	18484	18862	19675
45	698	1185	1594	1921	2167	2765	4451	4744	5276	5952	6779	9103	9853	10274	10622	11058	11857	12522	15691	17324	17799	18488	18863	19776
51	705	1187	1595	1927	2168	2817	4452	4793	5277	5954	6782	9114	9855	10276	10624	11060	11858	12649	15700	17326	17801	18492	18864	19777
53	706	1188	1598	1939	2170	2833	4453	4813	5279	5958	6783	9181	9857	10278	10626	11062	11860	12651	15703	17328	17810	18496	18865	19778
54	708	1191	1600	1941	2173	2840	4455	4815	5281	5960	6786	9189	9859	10280	10628	11064	11862	12731	15707	17330	17811	18497	18866	19779
55	709	1193	1604	1944	2174	2847	4457	4821	5282	5962	6790	9201	9870	10287	10630	11066	11864	12734	15736	17332	17817	18500	18867	19780
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
309	1024	1480	1794	2088	2449	4267	4580	5182	5718	6240	7311	9679	10163	10498	10840	11361	12261	14180	16986	17460	18187	18719	19634	19873
313	1030	1482	1797	2089	2453	4268	4582	5184	5722	6242	7312	9681	10165	10502	10841	11363	12282	14274	16993	17462	18191	18722	19635	19874
315	1034	1484	1805	2091	2456	4270	4584	5186	5750	6302	7314	9683	10167	10504	10843	11365	12284	14311	17161	17465	18195	18723	19636	19876
316	1036	1485	1806	2093	2460	4282	4586	5181	5752	6327	7339	9685	10169	10538	10845	11367	12286	14334	17167	17484	18199	18724	19637	19900
318	1039	1486	1808	2094	2463	4284	4588	5183	5758	6354	7342	9687	10171	10540	10847	11369	12289	14361	17169	17485	18200	18725	19638	19901
319	1040	1490	1810	2096	2467	4286	4591	5202	5759	6355	7345	9689	10173	10542	10849	11371	12292	14365	17171	17491	18356	18726	19639	19902
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471	1054	1503	1829	2107	2508	4314	4604	5221	5788	6422	7374	9785	10194	10555	10899	11387	12380	14561	17194	17524	18373	18736	19646	19909
472	1058	1510	1830	2108	2511	4319	4606	5224	5790	6427	7375	9795	10196	10557	10901	11389	12384	14596	17200	17527	18374	18737	19647	19910
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487	1065	1519	1859	2119	2547	4336	4612	5230	5799	6449	7803	9803	10209	10565	10909	11397	12402	14750	17218	17538	18382	18751	19651	19914
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Conversion Rights

The Debentures are convertible into whole shares of Common Stock, par value $1.00 per share of ITT Corporation ("Common Stock") through the close of business on November 1, 1986 at any of the above offices at the present adjusted conversion price of $58.35. No fractional share of Common Stock will be issued upon conversion. Instead, a cash payment for each fractional share will be made on the basis of the last reported sale price of the Common Stock on the New York Stock Exchange on the day of conversion. Each $1,000 Debenture is convertible into 17 shares of Common Stock. Based on the closing price of the Common Stock on September 24, 1986, of $49 each $1,000 Debenture would convert into $833 worth of Common Stock.

International Standard Electric Corporation
By: **Bankers Trust Company,** *Trustee*

October 1, 1986

NOTICE OF REDEMPTION

To the Holders of

International Standard Electric Corporation

6¼% Convertible Sinking Fund Debentures due 1989

(Convertible on and after May 15, 1970 into Common Stock of ITT Corporation)

NOTICE IS HEREBY GIVEN, that pursuant to the terms of the Indenture dated as of November 1, 1969 (the "Indenture"), between International Standard Electric Corporation (the "Company") and Bankers Trust Company, as Trustee (the "Trustee"), the Company has elected to redeem all of its outstanding 6¼% Convertible Sinking Fund Debentures due 1989 (the "Debentures") on November 1, 1986, at the Redemption Price of 100.25% of their principal amount.

On November 1, 1986, the Redemption Price will become due and payable upon all Debentures, payment of regular interest on the coupons will be made in the usual manner and all future interest thereon shall cease to accrue on and after said date. All Debentures, together with all coupons appertaining thereto maturing after November 1, 1986, are to be surrendered for payment of the Redemption Price at the main offices of any one of (i) Bankers Trust Company in London, (ii) Bankers Trust Company in Paris, (iii) Hollandsche Bank Unie, N.V. in Amsterdam, (iv) Societe Generale de Banque S.A. in Brussels, (v) Dresdner Bank Aktiengesellschaft in Frankfurt, (vi) Banque Generale du Luxembourg S.A. in Luxembourg, (vii) Banca Nazionale del Lavoro in Milan, and (viii) The Corporate Trust Office of Bankers Trust Company in the Borough of Manhattan, The City of New York; provided, however, that if Debentures are surrendered in the City of New York, certain certifications or information may be required in order to obtain relief or exemption from U.S. withholding taxes.

Conversion Rights

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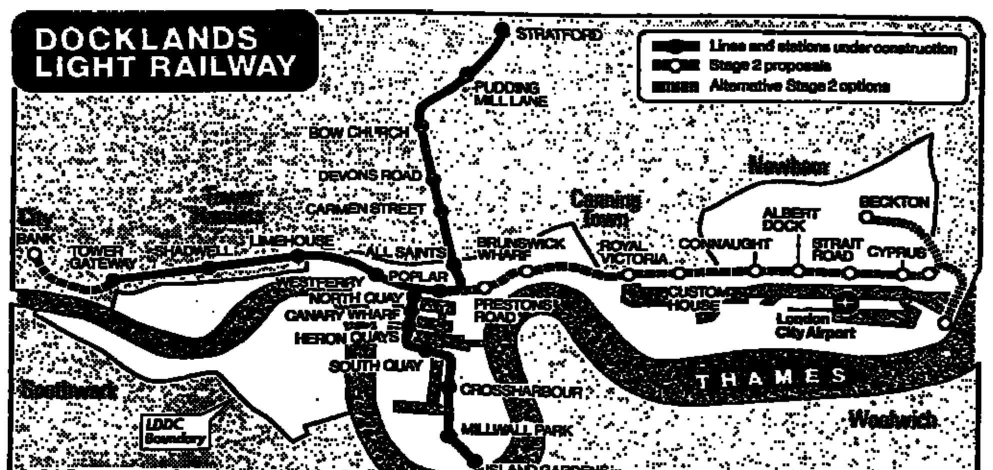
International Standard Electric Corporation
By: Bankers Trust Company, Trustee

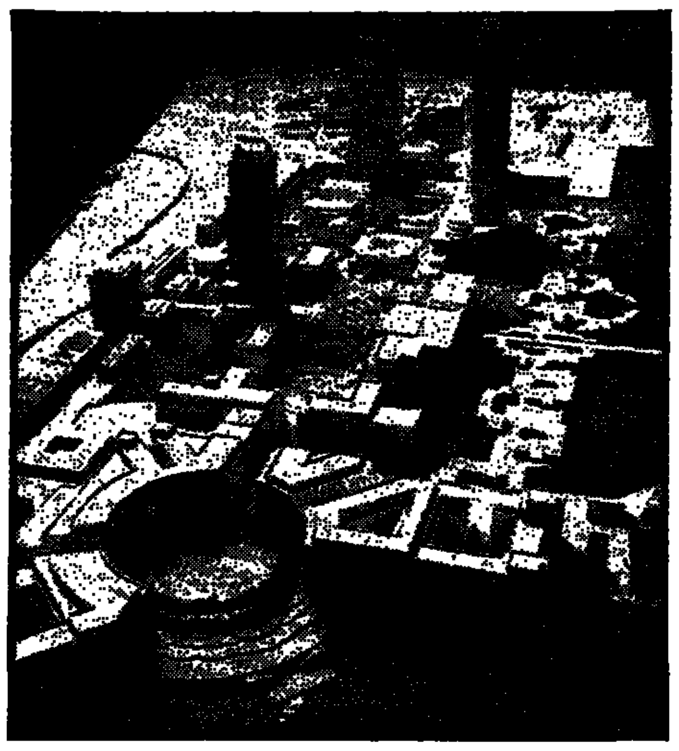
October 1, 1986

FINANCIAL TIMES SURVEY
Wednesday October 1st 1986

London Docklands

More than 8 sq miles of semi-dereliction, long ignored as London's "backyard", is being transformed by £1.5bn of investment into a desirable place to live and work





Canary Wharf, proposed by a US banking consortium, could extend London's financial centre into docklands

Regeneration surges as barriers break down

By Richard Evans

FIVE YEARS AGO a drive east from Tower Bridge into London's dockland was a deeply depressing experience. Changing trade patterns, technical advances and high labour costs had led to the docks' progressive closure, beginning with the old East India dock in 1967 and ending in 1981 when the last ship sailed from the Royals.

Throughout the 1970s dockland slid into a seemingly irreversible decline. There were no jobs, so people moved away; the infrastructure deteriorated and the task of rejuvenating the area appeared hopeless.

A similar journey now, however, through the old Surrey Docks south of the Thames and through Wapping and the Isle of Dogs on the north bank is a remarkable experience. The regeneration of dockland is surging ahead.

In parts it looks like one huge construction site, with contractors' equipment replacing the long dismantled wharfside cranes. Sprawling, lifeless wharves and abandoned warehouses stand incongruously near luxury riverside apartments.

Elsewhere, development has been virtually completed and new communities, residential and commercial, have taken shape.

The position of dockland, covering over 8 sq miles immediately east of the City looks ideal now, given the purpose-built new buildings needed to meet the challenges of the deregulation of the securities market—the so-called Big Bang.

This is a recent phenomenon. Historically and physically, the docks have been cut off from the mainstream of London life, isolated by entrenched attitudes and inadequate public transport.

Attempts were made throughout the 1970s by the Government, the Greater London Council, the dockland boroughs and by local communities to grapple with the immense task of rejuvenating the area, but the machinery and cash were inadequate.

The Conservative Government stepped in and in 1981 set up the London Docklands Development Corporation with Sir Nigel Broackes of Trafalgar House as chairman in a controversial attempt to force through redevelopment.

There is little doubt that in commercial terms it has been a considerable success. About 2,000 businesses are now based in the area, including over 400 new ones, and 8,000 jobs have been created that did not exist in 1981.

It has been at a high cost, according to some local residents and community groups. Local authorities lose all planning powers when a development corporation is designated. Instead, control passes to the government appointed body, which is supplied with state funds to carry out its task.

The local councils in dockland, Southwark, Tower Hamlets and Newham, resent the loss of their power and influence, and community groups like the Docklands Forum claim that their views and wishes were overridden by the corporation in its rush to redevelop.

The LDDC started off with big advantages including proximity to the City and full support from the Government, backed by generous grants and loans for land purchase and building works.

There was still, however, the entrenched view of docklands as London's backyard plus the pressure for development to continue to head west rather than east.

The biggest initial task for the corporation, according to Mr Reg Ward, chief executive since its inception, was therefore to change this public perception.

"It is easy in retrospect to identify the critical factors that affected development, but at the time they were often random and incoherent. We had no master plan . . . it was basically all market led," says Mr Ward.

Not least of the random initiatives was the creation in 1982 of an enterprise zone around the redundant West India, Millwall and East India Docks.

With the advantages of the enterprise zone, including a 10 year holiday from rates, exemption from land development tax and relaxation of planning controls, the area helped to break the psychological resistance to investing east of the Tower of London.

The next major problem to be overcome in the area as a whole was housing. East London was regarded as a public sector housing ghetto with 96 per cent of the population living on council estates. Only two houses had been built for private occupation in the previous five years.

The LDC agreed to the development of a 30 acre site by four private sector housebuilders. These sold well, and more than 8,000 new homes, 5,000 of them on corporation-owned sites, have now been built, or are under construction.

Housing has in fact continued to be a problem because of the soaring cost of land. Land values have been pushed above the £1.5m per acre mark, compared with the first sale of £70,000 an acre in 1982. Rents are currently running at £12 to £15 a square foot for office space and the first £½m penthouses are now for sale in Wapping.

One of the major criticisms of local community groups is that locals simply cannot afford to live in the area any more. The LDDC has attempted to overcome this by insisting that a proportion of houses and flats built on its land must sell for £40,000 or less.

But too many buyers were reselling immediately at a high profit, and last year a resale constraint policy was introduced.

Then came the problem of the infrastructure, particularly road and rail communications. Although close to the City, the roads are notoriously congested and public transport services poor.

This major drawback was overturned at a stroke with the Government's commitment late in 1982 to build the docklands light railway, the critical piece of development infrastructure that gave further investment credibility to the area.

The first phase of the railway, linking the Isle of Dogs with stations at Tower Hill and Stratford, is due to open next July and a Bill seeking an extension to Bank station—opposed by the City of London Corporation — is currently before Parliament.

Phase II of the development will take the railway further east into the Royal Docks, still largely undeveloped and potentially the most exciting prospect of all.

The railway will not only give wide public access to docklands for the first time, but will provide London with a major new tourist route linking the Tower with Greenwich.

The Royals are regarded by the corporation as the most important urban redevelopment site in Europe. They cover 667 acres, including 237 acres of water, and lie only five miles from the centre of London.

Prospects for this most easterly end of docklands, previously regarded as hopelessly inaccessible, are being transformed not only by the light railway but by the London City airport now being financed and built by John Mowlem, the civil engineers.

The Stolport, being constructed on land alongside the old King George V dock, is intended for flights to UK and European cities by aircraft capable both of short take-offs and landings, and of conforming to strict noise regulations.

The shape and scale of the first major projects for the Royals will be decided shortly by the LDDC, which is considering schemes by three consortia involving a total investment of £2bn.

Even these have been overshadowed recently by the proposals for the controversial £1.5bn Canary Wharf office development on the northern fringes of the Isle of Dogs. The offices will be in three towers up to 850 feet high, making them the highest buildings in Europe.

Local authorities have objected on the grounds that transport services will be overloaded, that few of the anticipated 45,000 jobs will be suitable for local people, and that the towers will destroy the view from Greenwich's Royal Naval College, designed by Sir Christopher Wren. But Canary Wharf, which has the support of the LDDC, is likely to go ahead, provided the light railway is extended into the City.

So far, the Government's investment of £250m in dockland through the LDDC has generated investment of £1.2bn from the private sector. The approaching transformation of the Royals and the Canary Wharf scheme emphasise the escalating scale of the regeneration.

It is now possible to visualise what appeared to be a bizarre flight of fancy five years ago: the creation of a new city within a city.

London Docklands 2

Surrey Docks

Quality did not come cheaply

TWO YEARS ago, there were 250 acres of mainly undeveloped land in the Surrey Docks. They had been the first to close, leaving isolated pockets of residents sandwiched between river wharves and declining industry.

The LDDC, resolved 15 years of debate about the future of Hay's Wharf, directly opposite the City, when it pushed through permission for an office development now called London Bridge City, one of the single most important city centre developments in Europe.

Further east, however, the process of development was to be less spectacular. "The key was to establish basic infrastructure, but with an emphasis on quality," says Mr Chris Farrow, the corporation's area director.

"It did not come cheap, but with no single catalyst such as an enterprise zone, we have created the image of an environment of quality." The corporation expects to spend £95m in a decade in Surrey Docks, most of it on infrastructure.

By 1981 much of the docks had already disappeared, but the areas of water that remained have proved important for development, such as the canal system linking Canada Water and Surrey Water. Around Greenland Dock, the LDDC has spent £19m on improvements, expected to bring 2,000 jobs, 1,000 homes and a pier. Land which sold for £250,000 per acre two years ago now fetches £1m.

But the prospects for development of business units had looked, until one year ago, far from promising. There was already 2m sq ft of industrial space in Southwark, much of it around the Surrey Docks, available for let at £1.50 a sq ft. So it was made a condition that developers provide industrial units as well as housing.

"New technology firms from the leafy suburbs of Bromley now say this is where they have to be to serve future markets," Mr Farrow says.

The low-rent units are now filled, and new ones ranging from 10,000 sq ft downwards are letting well.

The next development underpinning employment prospects is 300,000 sq ft of retail space, with Tesco as the anchor store. A further 15 acres remain and the LDDC plans to create 16,000 additional jobs in the area.

A higher standard of design is also emerging. "In our first three years, the quality of new housing was competent and popular, but it was not creating a new wave. Now, particularly at Greenland Dock with the development of 146 homes by ISLEF of Denmark, we are moving into high-quality architecture."

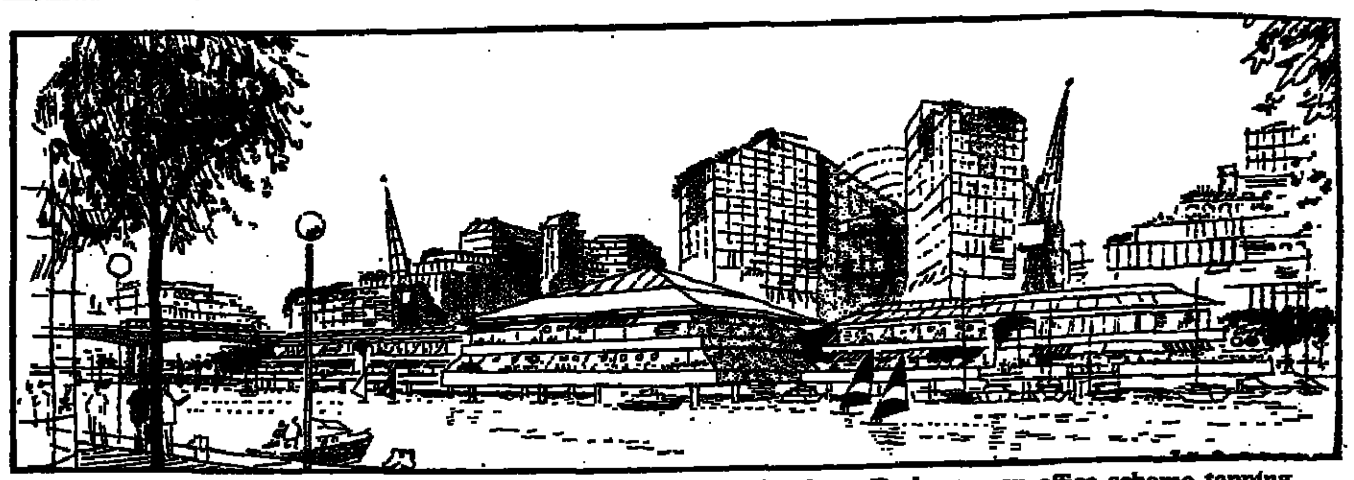
No such accolades for local authority blocks, perhaps, but they have not been forgotten. The corporation was left with 770 inter-war municipal units which residents no longer wanted to live in. These it has sought to upgrade for sale and rent, working with Southwark Council.

Last September, it reached agreement with the council to buy 550 homes. The most ambitious scheme is the conversion of 133 former municipal flats by Barratts and the South London and Crystal Palace Housing Association, 50 per cent of them for sale.

The money the council received is helping to finance the refurbishment of the remaining 220 flats. Southwark also receives 50 per cent of any profit on the 550 units over £3m.

"We have also done our best to give local people a chance to buy," Mr Farrow says. When a property comes onto the market, tenants living in Southwark are given first choice to buy for two weeks, then the children of tenants a further two weeks. Releases in the first month are selling at prices up to £120,000.

Alastair Guild



A new £7m warehouse will be demolished to make way for Harbour Exchange, an office scheme tapping enterprise zone allowances

Isle of Dogs

Sadness dispelled by enterprise

COMPARED with its three neighbours, the Isle of Dogs had a relatively easy start in life. Though the name chosen might not have the same ring to it as say The Royals, some important silver spoons were provided in its mouth to compensate.

Part of the area was declared an enterprise zone, with all the advantages for incoming companies, such 10 years free of paying local authority rates. The docklands light railway was planned to run through the middle and much of the docks area remained intact, with 126 acres of water providing a focus for development and opportunities for recreation.

Yet Mr Mike Wilson, director of the area team, felt an "almost overwhelming sense of sadness, dereliction and despair" when he visited the area in 1980. The roads were in disrepair, the docks were surrounded by high walls and isolated from the rest of the district and there were few useful buildings. Many of the large wharves and warehouses, which give Wapping's riverfront so much character, had been flattened in the Second World War.

General cargo boats had ceased using the docks in the mid 1970s, though timber came in from Russia until three years ago.

Most of the derelict land was owned by the Port of London Authority, British Rail and the CEGB, while the GLC and Tower Hamlets had holdings on the periphery. A large part of this land was transferred to the LDDC. It was decided to keep the docks, which the earlier London Docks Strategic Plan had envisaged having filled in, as in Surrey Docks and Wapping.

A distinctive, red brick road was laid into the area and walls removed to make the docks more accessible. The LDDC is now spending £12m a year on environmental improvement and infrastructure, British Telecom has put down fibre optic links, with voice, data and picture capability for telecommunications, and by Mercury Communications has decided to locate a satellite earth station on the West India Docks in established docklands for telecommunications development.

"All the links are either there or can be provided for an international financial centre the size of Canary Wharf," says Mr Wilson.

The light railway should increase demand for office space. Developers of South Quay Plaza, a 330,000 sq ft office development with direct access to the railway report a lot of interest. But Mr Wilson doesn't expect a dramatic increase in rents for office/commercial space, as a lot of land is still coming through for development. They now stands at £12 to £14 a sq ft.

Rents for small-to-medium sized industrial/office units range from £6 to £8 a sq ft. "The smaller units tend not to be restricted by planning use class. We have gone for a lot of flexible floor space capable of occupation by small users, whether industrial, commercial or office," says Mr Wilson.

The main sites not yet committed are in Poplar Docks, where the possibility of a Chinese Trade Centre is being discussed with International Conferences and Exhibitions, and in the Leamouth area of the enterprise zone. The LDDC is still carrying out infrastructure work but there is potential for both commercial and residential development.

Most of the housing developments in the Isle of Dogs have been new build, with little opportunity for warehouse conversions seen elsewhere. Almost the entire 1981 population of 13,000 were living in municipal housing. By 1991, the population is expected to double, with 50 per cent of accommodation likely to be owner occupied.

The LDDC is paying for community centres and the restoration of historic churches in the area. There are proposals to restore St Matthias, the oldest surviving building in docklands, to its 17th century appearance and to convert the Georgian chaplain's house into a centre for early music and drama. A clubhouse for water sports, costing £400,000, is being funded jointly by the corporation and the Sports Council.

Alastair Guild

Royal Docks

A latecomer to revival

DEVELOPMENT has come late to the eastern end of London's docklands, the Royal Docks, the largest enclosed dock system in the world, covering an area that would stretch from Hyde Park Corner to Tower Bridge.

The delay could be made up for by size: four of the grandest schemes seen so far in docklands are planned following the LDDC's purchase of 500 acres of the Royals from the Port of London Authority, increasing the amount of land and water it controls by over 30 per cent. Together with vacant Gas Board and other land to the north east, they provide 280 hectares of land and 96 hectares of water for development.

Construction of London City Airport is well underway on the quay between the Royal Albert and King George V docks. The other three developments, costing a total of more than £1.5bn, and likely to take 10 years to complete, could be decided on before the end of the year.

The LDDC has already had talks with Newham Council and community groups about the social impact of the three development proposals. The corporation has committed itself to making "a reasonable proportion" of the 5,000 or so homes proposed available either for rent, or for sale at prices "which Newham people can afford."

In 1981 houses built at Beckton, in the Royals, marked the start of the LDDC's programme, but since then there have been few other signs of progress. "People here were getting quite depressed wondering when their area would receive attention," says Ms Dru Vesty, director of the area team.

So the corporation spent money on projects that would give the area "a bit of a boost." For example £700,000 turned theh disused Silvertown Tramway into a landscaped footpath and cycleway running for over half a mile along the north of the riverside industrial zone.

Work is now underway on a £270m programme of improvements to the area's landscape, transport and services, though it is anticipated that the developers of the three major schemes will provide the accompanying infrastructure. Contracts have been let for the first three phases of a £33m drainage scheme.

The corporation will spend £44m on a spine road through the Royals by 1988 and £20m on a link to the A13 and the motorway system, in anticipation of the proposed East London River Crossing.

Improvements by the Department of Transport, such as a relief road providing links to the M11 and M25, and an upgrading of the North Circular, are designed to further ease access. A Bill under preparation seeks to extend the Docklands Light Railway east to the Royal Docks and Beckton.

"We are hoping to attract the sorts of footloose industries — the service sector and high technology companies — that might otherwise go to the M4 corridor. There is also good potential for major employers, such as the leisure and retail sectors. But we had to make the Royals a fine development location," says Ms Vesty.

Job creation is a major priority, with some 20,000 unemployed in Newham. This year Cross & Blackwell is leaving the Royals, with a loss of 370 jobs. Tate & Lyle, employing more than 1,000, is one of the few traditional manufacturing companies remaining. The decline of these industries has left some 440,000 sq ft of vacant industrial space.

"Developers will be encouraged to come in to develop these sites once firm decisions have been taken on the three major schemes. The surge of confidence and major development in the Isle of Dogs has also created a momentum that is now so strong it is ready to continue the eastward thrust across Leamouth and into the Royals," Ms Vesty says.

Back in Beckton things are moving moving on also, with 3,700 homes due for completion by the end of 1987. An Asda superstore is open and a community complex planned around it. The corporation has spent £250,000 on community initiatives, including training projects and facilities for the disabled.

It has also made available a 17,000 sq ft building for a wide range of community groups and is funding external work on a new primary school, as well as the community facilities for the Beckton district centre next to Asda.

Alastair Guild

London Docklands 3

Industry

Small-timers sign up and nestle in

OUTSIDE the Canary Wharf entrance to London's docklands, off the East India Dock Road, is a board which points the way to Limehouse Studios and the British Telecom business centre. In the background, a heavy contractor's ball is making short work of demolishing the wall of one of the old dockside buildings that still populate much of the area.

Across the road are the Cannon Workshops, restored buildings on the enterprise zone full of companies like Formula Print, Hayes Spain Group, Watkins Repro, Stitch Design and Deanos.

These are names that are hardly familiar in the industrial sector, though they are representative of what has happened in docklands. An area once dominated by dockside activities and associated big companies it has become a home for little known small businesses nestling close to the City and, in the case of the enterprise zone, taking advantage of the rates holiday and capital grants offered by a government anxious to develop run-down inner-city areas.

There are still some famous names in docklands — Tate and Lyle, the Central Electricity Generating Board, British Rail, Alatos and Hutcheson — but on the whole the big operators have gone. The character of the area has changed and will change even further.

London's docklands was never an area of heavy manufacturing industry in the way that the Clyde in Glasgow or the Tyne in Newcastle were. There was never shipbuilding and its attendant heavy engineering. London's dockside activities were essentially about servicing the import and export of goods.

There was, however, a considerable amount of associated "heavy" activity to complement its main economic base, as the towering cranes made obvious.

Most new industry coming in today also has a high service content but it is a different sort of service industry. Some is geared to the financial world; much of it associated with the high-technology world of information gathering and retrieval. It is largely assembly work, undertaken by small concerns of the sort found in the Cannon Workshops.

Mixed-use buildings such as the Skyline professional business park have replaced heavy older industry and warehouses

This is what the Docklands Development Corporation wants. "We wanted to create a new docklands in terms of new activities," says Mr Peter Turlik, the director of business development. "We saw no return in dealing in declining industries associated with shipping.

"We wanted to create space for growth activities as well as to make a visual impact.

"At the same time there was a need to get away from the negative land values in an area associated with an activity that had gone."

The result is that 70 per cent of all industry within docklands is now involved in services. The figure is even more startling for new entrants; 78 per cent are in services.

"Industry is not a word we use," Mr Turlik says. "We have used 'business place' right from the start."

The change in docklands over 20 to 25 years has been startling. When the area was one of the greatest ports in the world, some 30,000 people were employed by the Port of London Authority alone. A decade ago the population in the area was no more than 55,000 and by 1981 it had slipped to 40,000.

One problem was that as the local authorities in the docks moved people out, housing them in tower blocks, work went too. Then as the docks began to close and move down river to Tilbury, ancillary trades went as well. Eventually, all the port-side activities died with the port, the Royals being the last to close in November, 1981.

There are some vestiges of port activity remaining, a few wharf-side activities and some food processing, but it is all relatively unimportant in the total. It has been replaced by small businesses with a high growth potential and an average of only 12 staff.

Within a short time the multi-billion project for an extension of the City, based on Canary Wharf, will begin to take shape. That will be the city of the 1st century. When that happens, docklands will have a very different structure.

The Canary Wharf development is taking place within the enterprise zone, which has been one of the more successful in Britain. The corporation has injected some £30m into the zone which has given it a 1:10 leverage ratio. Much of the 482 acres (122 of which are water) has been allocated and it does not appear there will be any difficulty in finding tenants for the rest.

Unlike the other zones around the UK, docklands has not had to build advance factories to attract incomers. "We encouraged private developers to come in but we did not build a single foot of factory space," Mr Turlik says.

There must be many other authorities that wish they could say the same; there must be many other authorities that wish they had the same advantages of location and know-how that London has.

With the enterprise zone virtually full, interested parties are having to look further east to the Royals for development, which is exactly what the corporation wants.

The largest industry in docklands with a "manufacturing" capacity will soon be newspaper printing.

Anthony Moreton

Wapping

Living in the shadow of the past

WAPPING provides many reminders of the heyday of London docklands. Its historic wharves and warehouses, some dating back to the early 1800s and in semi-industrial use into the 1980s, and its narrow, winding streets give it a character almost unique in the East End.

In 1981, there were already three important conservation areas and the LDDC designated a further two. But Wapping had lost some of its dockland character with the disappearance of the Western and Eastern Docks. The corporation resolved that no more docks should be filled and brought water back to the Western Dock with a canal connecting Hermitage Basin and Shadwell Basin.

According to Mr Howard Sheppard, director of the LDDC area team: "In the early days, landscaping and environmental improvements along The Highway and around the Shadwell Basin helped instill confidence in the people of the area that our plans were possible and provided developers with examples of the regeneration that was taking place."

Over five years, the LDDC has spent £16m in Wapping on improvements and the canal, with a further £10m on land acquisitions. It is now seeing £8 of private investment for every £1 of public money.

"Wapping's proximity to the city and its character as a desirable place to live have helped give a major thrust to its promotion," Mr Sheppard says.

As envisaged in Tower Hamlets' local plan, housing will establish itself as the predominant land use in the area. But, whereas in 1981, 95 per cent was in municipal ownership, this year the balance will approach 50 per cent owner occupation.

In 1983, LDDC's target for Wapping was an additional 2,000 houses by 1988. These are either complete or nearing completion, with a further 1,700 homes with planning permission.

"We are able to attract volume housebuilders into Wapping early on because of their success in selling housing at Beckton in the Royals, while Barratts' successful conversion of the Gun Wharves warehouses has helped dispell the uncertainty that developers had three or four years ago about such schemes," Mr Sheppard says.

But the corporation was equally determined to keep new housing in line with the character of the area. "We established a high standard of development early on," he says. So it was a condition of the disposal of the first site for housing that the developer worked closely with architects and the LDDC to set a design standard to which later projects would have to adhere.

Strict adherence to architectural quality in the first three years means that the Wapping area team now has a more relaxed view of development.

"Similarly, we would not want to do anything to attract huge amounts of traffic. The large numbers of people that would be attracted to developments such as a superstore might spoil the atmosphere, so the major projects of metropolitan significance are taking place on the periphery, at Limehouse Basin, for example."

At its heart, Wapping is not an area that is conducive to traditional industry which might need access for heavy vehicles. Little of the previous industry in Wapping remains.

Land values have increased from £120,000 per acre three years ago to more than £2m prompting small businesses to sell up and relocate, while much of the older traditional industry has closed for good.

With locals reluctant to see any increase in traffic, the corporation encouraged Tower Hamlets to downgrade its road proposals. "We are encouraging instead cleaner industry which can sit happily next to retail or residential development," Mr Sheppard says.

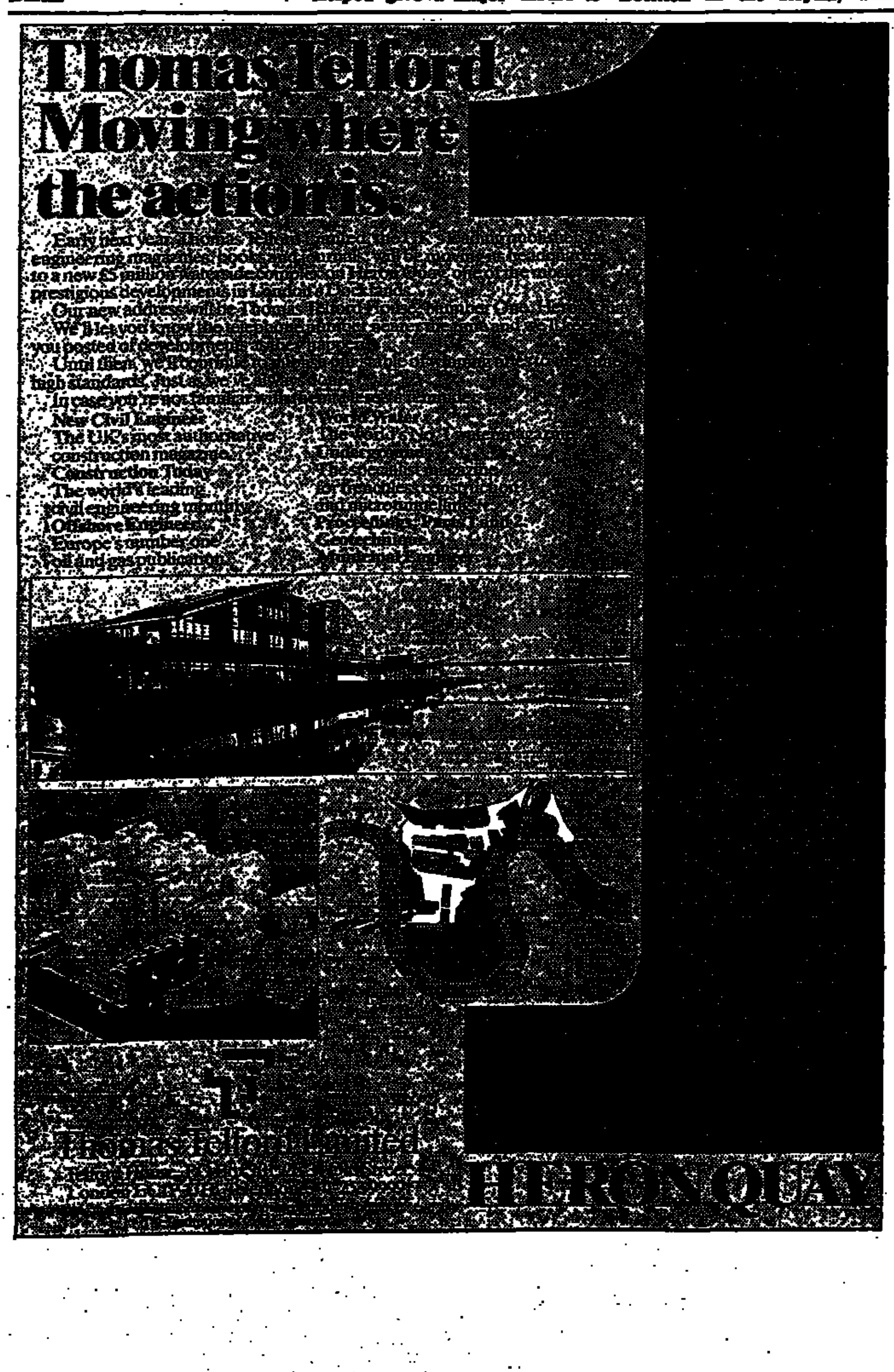
There has been emphasis also on attracting small businesses, such as design studios, and computer software companies to developments like Metropolitan Wharf, with its small workshops and studios, and similar conversions in the Old Spice Mill and Black Eagle Wharf along the High Street.

But there have been larger developments: the London Commodity Exchange, a major complex of housing, offices and shops at Free Trade Wharf and the News International Printing complex. Some 1m sq ft of commercial space has been completed and an additional 1.5m sq ft has planning permission.

One of the largest areas undeveloped is at Thomas Moore Street, where the LDCC envisages an office scheme of more than 800,000 sq ft, though no specific proposals have yet been presented.

Further east, the corporation is negotiating with Tower Hamlets for the release of its land for a mixed development.

Alastair Guild



Transport

Balancing act for a catalyst

THE transport network taking shape in and around London Docklands is proving the single most important catalyst to development. Links of a standard that helped promote industry in west London are under way or planned in the relatively inaccessible East End.

These include new roads, a new airport and a light rail system.

A balance has been sought between public and private transport. "Any employer will want his staff to have a choice of transport," says Mr Howard Potter, LDDC's transport planner and engineer.

Some £500m is earmarked for new or improved roads feeding into the docks area. These will link with new or improved trunk roads giving better access to the national motorway network.

Without a new highway network, the investment for regeneration, especially of the Royals, would not come in fast enough to sustain the present momentum.

Traffic in docklands is expected to double, but the impact of new roads on the landscape will be minimised by "cut and cover," decking over and bridging. Signposting and time setting on signal junctions, might later be considered to give priority to local traffic.

The problem of heavy goods vehicles, which cause holdups as they trundle through narrow, winding streets is, in any case, likely to fall.

"The Hackney-M11 link and the east London river crossing, when built, will take a lot more of the heavy goods vehicle traffic away from docklands," says Mr Potter. "The whole of the Canning Town area along the A13 is a regular traffic blackspot. All of our road schemes, and those of the Department of Transport, are aimed at getting rid of that problem."

He does not anticipate large numbers of warehousing and distribution companies moving into docklands to take advantage of the new road network, generating heavy goods traffic but relatively few jobs. These will still prefer locations around the M25 or further down the river, he says.

The LDDC is defining the land it needs for road proposals, before serving compulsory purchase orders, this autumn.

Construction of the Lower Lea River Crossing—an important transitional point between redevelopment on the Isle of Dogs and opportunities in the Royal Docks—is a priority. So are the improvement of feeder roads to the Isle of Dogs from the A13 and additional access to the Canary Wharf and Heron Quays developments in the Dogs, both to be paid for by developers.

In Wapping, a series of distributor roads is virtually complete.

In Surrey Docks, a new distributor road network linking with the A200 is already in use, while additional schemes are shortly under construction to serve major retail, industrial and commercial developments such as the proposed Tesco superstore.

Pressure for regeneration of areas to the east such as the Royal Docks is likely to increase if the East London River Crossing is given the go-ahead after the public inquiry. It has been broadly welcomed, by the LDDC and local councils, though Greenwich, on the south of the river, is opposed to the crossing.

"The Thames, in the docklands section, has about one-quarter of the number of bridges of the equivalent section in West London. The East London River Crossing, with the proposed link to the M11, will be a very important element in attempts to redress the balance between east and west," Mr Potter says.

Another part of the transport revolution is the Docklands Light Railway, which even before completion has played a prominent part in boosting regeneration. The LDDC and London Regional Transport are preparing a Parliamentary Bill to extend the line, and its influence, eastwards into the Royals.

A Bill for a link westwards into Bank station in the City is in its final stages in the House of Lords, in spite of objections by the City Corporation about the route. Negotiations are also well advanced with Mowlem and GEC, joint designers and contractors, for increasing the capacity of the railway to serve the proposed international financial centre at Canary Wharf.

The LDDC is looking to increase capacity from 3,000 passengers an hour to 20,000 an hour. This is likely to involve more frequent and possibly bigger trains, with articulated middle sections, and a need to upgrade bridges and viaducts and improve the signalling system. Some 75 per cent of people travelling to the middle of the Isle of Dogs is expected to use public transport.

The railway was financed by the LDDC and London Regional Transport at a cost of £77m. It has 15 stops along its present 12.1 km route, with trains running every 7½ minutes.

An extension eastwards would ultimately link with the London City Airport, now well advanced on the old quay between the Royal Albert and King George V docks.

The Civil Aviation Authority is expected to start hearing submissions soon from airlines. The confidence of Mowlem, the developer and owner, seems to have been borne out by the number of applications received, including proposals from Brymon, British Air Ferries and Endrange, which has British Midland as a principal shareholder. There has also been interest from continental operators.

Up to 1.2m passengers a year could be carried by the short take-off and landing aircraft, in particular the 50-seater Dash 7 using the airport.

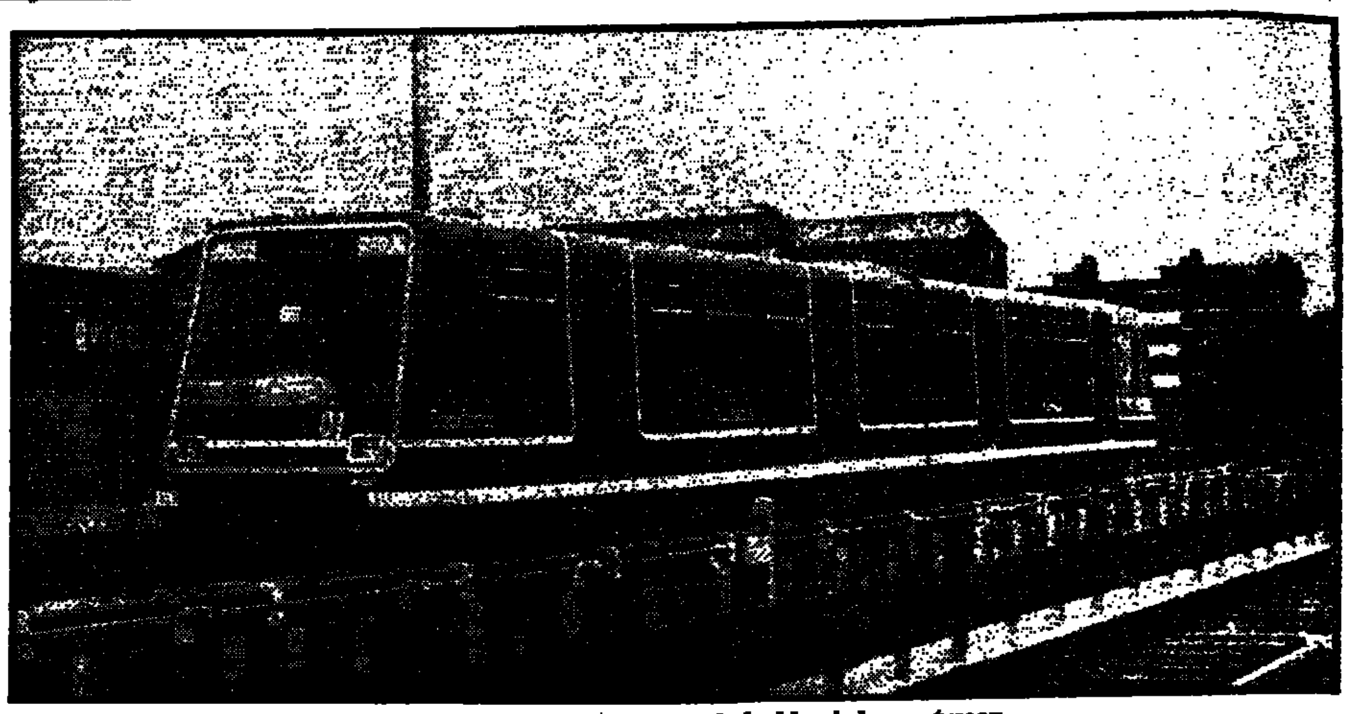
A high-speed river bus is the final piece in this transport jigsaw, possibly running from as far west as Chelsea down river as far east as Southend and carrying as many as 5m passengers a year by 1990. The service, expected to be running by the middle of 1987, would carry commuters, tourists, businessmen and commercial users.

There will be room for more than one service, with perhaps a long haul from Medway to Tilbury, Greenwich, the Isle of Dogs, Tower, Charing Cross and Westminster, and a short haul between Chelsea and Greenwich.

Extra piers are being provided at London Bridge, City, Butler's Wharf, St Katherine's and Greenland Docks and Chelsea Harbour.

The consortia planning the Canary Wharf financial centre has included a pier, and there are outline plans for a jetty close to the Thames Barrier to serve the Airport.

Alastair Guild



Light rail services will run through docklands by next year

Offices

Second City ambitions

AS AN office location, London's Docklands are conveniently seen as a sort of overspill area for the City of London. Reg Ward, chief executive of the London Docklands Development Corporation, thinks that the area could be perceived as a city in itself.

"Docklands is beginning to establish a potential new role in the urban fabric of London," he said in the LDDC's 1985-86 annual report. "Its scale and location clearly convey a city dimension."

Mr Ward is not intending to divorce his charge from the City of London and its activities. The LDDC hammers away at its strategic location to the east and south of the City itself, just as the Big Bang is bringing a major phase of evolution and expansion to the UK securities industry.

It says that the demand for space and new buildings to accommodate the technology required by the financial sector is a major opportunity for Docklands to work with the City to ensure that London retains, consolidates and enhances its pre-eminence as a financial capital.

"What has changed most significantly over the past year is the scale of development, determined by the degree of imagination and ambition now being applied to the unique opportunities Docklands has to offer," Mr Ward says.

"The proposal for a major financial centre of 12m sq ft on Canary Wharf is both a reflection of the new perception of Docklands and a stimulus to it. At a stroke it has raised the general perception of Docklands development to a new plane."

In 1985-86 the LDDC approved in principle proposals for Canary Wharf put forward by a consortium including architect/developer G. Ware Travelstead, First Boston Real Estate, Credit Suisse First Boston and Morgan Stanley International. The LDDC is now talking about 12m sq ft against an original 8m; the developers have mentioned 12.5 sq ft.

Work began in July on the development, located in the Isle of Dogs enterprise zone, after Canary Wharf Development, representing the consortium, had been granted a licence by the LDDC for preliminary work on the wharf. This, it said, would include diverting services to enable demolition of old warehouses, fencing and site security.

It has now been reported that an international headhunting firm has been commissioned by Mr Travelstead to find a chief operating officer for the development. The candidate would head up a team of about 200 people on a scheme which has a development cost approaching £2.7bn.

The scheme has its detractors. Any project which forced the City of London into dramatic revisions of its local plan, vastly accelerating new development, would be likely to have that effect. But there is more evidence of heathy development and demand for office space elsewhere in the area covered by the LDDC.

In Southwark, south of the Thames between Tower Bridge and London Bridge, the 2.5m-sq-ft London Bridge City development has its first phase up and fully let. Three years ago this development, undertaken by the Arab-owned St Martins Property, was the one which was seen as off-pitch, high-risk and criticised on this and other grounds.

Back in Docklands, in June Tarmac Brookglade reminded the market that it had the largest property development then under way in Docklands, and said that it was expanding the scheme.

Conceived as 600,000 sq ft of offices, apartment buildings and amenity buildings, Heron Quays, which is also on the Isle of Dogs, was going up to 1.5m sq ft. Mr Chris Collins, executive director, said that the developer would be building further into the water and going up to between 80 and 100 ft in average building height, with up to 140 ft on one corner of the site.

"The market is almost insatiable," he said. "We are selling only to owner occupiers, but if we let investors in, I reckon that we could sell £2bn of property this year." Not such a bad omen perhaps, for the adjacent Canary Wharf.

Elsewhere on the Isle of Dogs, Reg Ward also noted "a very high-quality office scheme" by Marples International at South Quay Plaza in three phases totalling 400,000 sq ft; the scale of the Daily Telegraph and Guardian newspaper developments; and the start of the Brunel Centre where Project Development Group, now controlled by the Comcap computer leasing company, is developing a complex consisting of 290,000 sq ft of offices, an hotel and a medical centre.

All these schemes, directly or indirectly, capitalise on the area's greatest asset: space to develop the large integrated dealing rooms now required for global financial operations.

Mr Ward thinks that this offers major opportunities, both to the City and to Docklands, and offers the example of Citicorp Investment Bank, which will be moving next year into a new trading floor in London Bridge City.

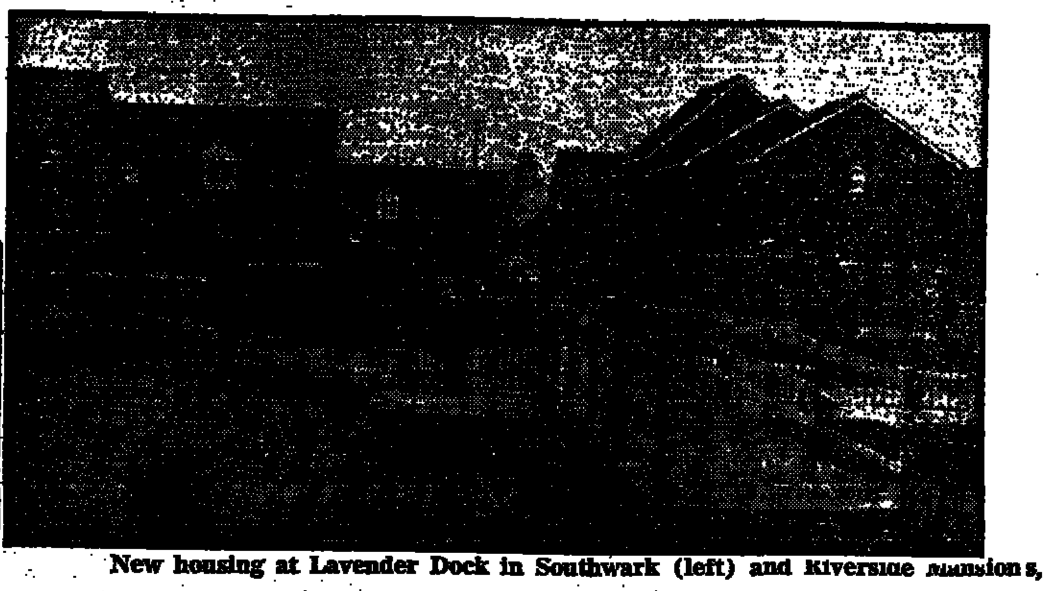
"The floor will be linked electronically to another new trading floor at the old Billingsgate Market directly across the river," he says. "It will also be linked physically by a boat shuttle for staff between the north and south banks, described by the architect Richard Rogers as a 'horizontal elevator'."

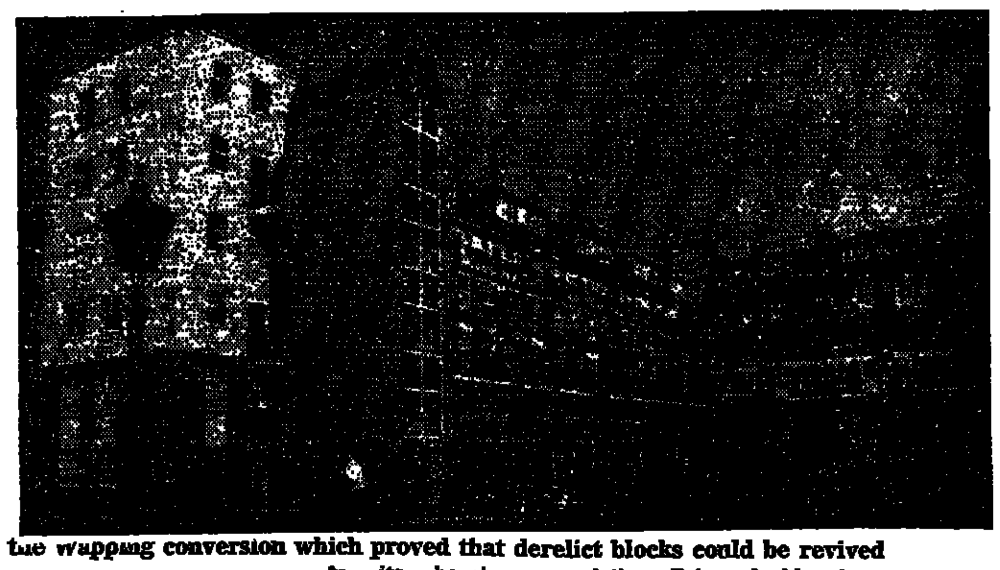
London Bridge City is within Mr Ward's ambit; Billingsgate is not. "Such an arrangement," he says, is "surely a forerunner of the way the City will come to work naturally in partnership with Docklands."

The LDDC reminds potential owner-occupiers and tenants that information is still the most important commodity for any business today, and that Docklands is well on the way to becoming one of the biggest and most technologically advanced communications centres in the world.

William Cochrane

London Docklands 5





New housing at Lavender Dock in Southwark (left) and Riverside Mansions, the Wapping conversion which proved that derelict blocks could be revived

Housing

Waters bring on crazy urges

THERE IS a type of desert rat that is said to go crazy when it is put near open water, never having seen such a thing in its life. Some newcomers to London's docklands have the same impulses as far as the bemused locals are concerned. Show one a flat for sale next to open water, and it suddenly gets crazy urges to cough up as much as £500,000.

"We spent most of our time trying to get away from the water in our homes," said one old Rotherhithe cynic, over his pint in a Thamesside pub." Mind you, it was coming in the roof and up the walls."

Everyone seems to talk in such extremes about housing in docklands. It is difficult not to when millionaires' penthouses jostle with near-derelict blocks of municipal flats around the river bank and docksides. Locals have not taken kindly to looking out of sub-standard homes at the expensive housing rising on land which once provided jobs, or was earmarked for local authority estates.

The persistent hostility of community groups is depressing for LDDC housing officers, who gamely continue to point out that more than half the 8,000 homes built on the corporation's land have been sold at controlled "affordable" prices of £40,000 or less. And about 40 per cent have gone to locals.

They are achieving what the Government demanded — that they give local people an alternative to council houses and waiting lists, and attract more middle-class people to stimulate the local economy.

For all the talk of gold-plated riverside prices, the bulk of activity, apart from "affordable" homes, involves prices ranging from £65,000 for a one-bedroom flat away from the water, to £165,000 for a two-bedroom conversion overlooking the Thames, according to agents Savills — which is not so different from the rest of London.

Much of the local criticism springs from the fact that the corporation is tied down by the same government spending controls that reduced municipal blocks to near dereliction. It cannot build houses, only provide land and buildings to local authorities or housing associations. But often these do not have the cash to take up the challenge.

This year's corporate plan points out that enough land for 1,600 rented homes was offered to local councils, but that only 600 could be started. It wants to arrange more partnerships with builders to get around the problems. In Surrey Docks, for instance, Barratts will renovate more than 130 local authority flats bought by the LDDC, selling half and handing the rest to its housing association partners. The local authority can use the purchase price to modernise another 200 or so.

Conversions are almost as important to docklands housing as new building. Regalian Properties showed a sceptical private sector, two years ago, that even derelict hulks could be revived at a profit, when it took on Riverside Mansions in Wapping, which had been condemned by Tower Hamlets Council before being sold to the LDDC for £500,000.

After paying the corporation £1.3m for the block, £3m for modernisation work, and being restricted to charging £26,500 for 30 per cent of the 164 flats and £43,000 for the rest, the company still came out well clear. Buyers queued for up to a week before the launch.

The lesson was not lost on builders, who have been snapping up similar chances ever since. Barratts caused the same sort of ripples farther up the market with its Gun Wharf conversion, overlooking the river. This was aimed at a rising tide of richer newcomers, by offering small flats for an average of about £70,000.

"We had staff in at 7 am and at weekends to handle the queues of buyers ." according to Mr Richard Reynolds, Barratt East London managing director.

The company was proving a point for the second time. It had also been one of the group of builders which put up the first houses on LDDC land at Beckton, showing that such development was feasible. Now it is involved in almost every type of residential development in the area.

The market was already starting to go crazy around the time of Gun Wharf. Salaries began to climb in the nearby City, bringing a tide of prospective buyers into docklands with a lot of money to spend. Prices doubled in a year and speculators moved in, putting down deposits on several homes and selling at a profit even before they were built.

Land prices have gone up 500 per cent, with reports of more than £1m an acre paid for the Ideal Homes development proposed at Timber Wharf, in the Isle of Dogs.

"It is a serious problem, and unless something is done the chances of building further affordable homes will be restricted," Mr Reynolds says.

The LDDC has clamped down on abuses of its controlled prices by making sure it can claw back profits on resale within five years. It has also given builders some relief by allowing prices of homes not claimed by locals to float upwards to market-level, claiming back most of the extra profit.

But the frantic rise in prices may have burned itself out, according to Mr Dominic Grace, of Savills. The agent, more usually associated with country homes and Mayfair flats, has just set up office in docklands, indicating the way the market has changed in a couple of years.

"There was no way that prices could keep rising the way they were, and a few speculators are retiring with burnt fingers," says Mr Grace.

Buyers were much more choosy when prices were that high, so unfinished homes and the less attractive "boxy" new schemes were much harder to pass on for a profit.

The cynic in the Rotherhithe pub was obviously torn in two about this. He welcomed any setback for the "profiteers," but, as he had bought his own council flat, he was worried that it would not go up in value as much as he thought.

David Lawson

The Daily Telegraph's £75m plant on Millwall Dock

Newspapers/Cable

Fleet Street sails down the river

THE FIRST thing you see of the Daily Telegraph's new £75m printing plant at the edge of Millwall Dock on the Isle of Dogs is two enormous cranes. Welded immobile, they stand as silent symbols of the area's past. The planners asked for them to be included in the design of the plant, which is supposed to resemble a ship.

The cranes now mark the entrance to one of the largest printing halls in Europe, 38,700 sq ft in area and 82 ft high, capable of producing more than 1m copies of the Daily Telegraph every night.

Last month the first new newspapers came off the presses. By next April the plant will be producing all the copies now printed in the cramped conditions and old presses of Fleet Street.

The modern lines of the new plant are a powerful indication of the dramatic changes sweeping the newspaper industry. Fleet Street, traditional centre of the newspaper industry for centuries, will soon be dead as a centre for printing national newspapers.

It has been uprooted and replanted in docklands. The process became well known with Mr Rupert Murdoch's sudden move to Wapping, the cause of a social, political and technological cataclysm in Fleet Street.

The Guardian's printing operation is also moving to a new plant near the Telegraph on the Isle of Dogs — providing, incidentally, a boost for Wimpy Construction, which built them all.

Last month planning permission was granted for a new printing plant in the Surrey Docks for Mail Newspapers. Site work has begun and the Daily Mail, Mail on Sunday, and London Standard plant to leave their maze of buildings off Fleet Street during 1988.

The Financial Times is also choosing between a site at Beckton and one closer to the Daily Telegraph, Guardian and Mail in East India Docks.

A combination of factors has led Fleet Street to begin recreating itself in docklands. Perhaps the most important is need for space that allows the total printing process to be carried out in a straight line. But plants must also be close to the main London railway stations which still carry most national newspapers to their destinations around the country.

For some there have also been the financial incentives. The Guardian and the Daily Telegraph which are within the Docklands Enterprise Zone will have a rates holiday until 1992 and tax relief on capital investment.

A further reason for national newspapers to huddle in docklands—is the need to keep options open on distribution methods. The Financial Times was considering building its plant west of London between Heathrow Airport and Slough but decided the weight of numbers in Docklands had become irresistible. If national newspapers were to move entirely to road distribution, as Mr Murdoch has done with The Times, Sunday Times, Sun and News of the World, Docklands would be the main pick-up point.

United Newspapers, publishers of the Daily and Sunday Express is the only major group not to announce plans to move, although the company could yet follow the rest to Docklands.

As one of the oldest parts of the communications industry rejuvenates, one of the newest has also moved into docklands.

East London Telecommunications (ELT), is planning to cable 1450,000 households in Tower Hamlets under the first Cable Authority franchise. Last month it announced that it had raised the £18m needed for the project.

The General Electric Company (GEC) has been awarded a contract potentially worth £25m to build the network over the next eight years, the sophisticated network is designed for a wide range of services such as home banking and home shopping as well as up to 30 channels of television.

But the East London franchise will also be one of the first cable companies to use its network to offer, through Mercury Communications, a local telephone and data service in competition with British Telecom.

"ELT is the first cable system to have negotiated detailed arrangements to bring the full range of Mercury voice and data communications to business and domestic users," said Mr Ian Hinton, the chairman.

Raymond Snoddy

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Optimising R and D

Why RCA slipped a disc

Terry Dodsworth reports on the US group's failure to anticipate consumer demand

AT ONE time it was universally recognised as one of the most brilliantly successful research-driven companies in the world. It played a leading role in the development of mass-market radio, blazed the trail into black-and-white and colour television, and created NBC, one of the US's premier broadcasting channels. Yet RCA's most recent consumer electronics project, the videodisc, was an enormous flop, hastening the decline of the company and its final, humiliating takeover by General Electric.

How could a company with such a glittering record of innovation make such an appalling error? The videodisc, launched in 1981 after almost 20 years of research, was an albatross from the moment of its razzmatazz launch.

Sales never remotely approached lift-off, despite desperate attempts to stimulate interest through swingeing price cuts. By the time the project was aborted three years later, RCA had sold only around 550,000 units against an installed worldwide base of video cassette recorders (VCRs) by the same date of around 20m. It eventually cost the group around $550m to get out of a project which at one time was forecast to generate up to 50 per cent of corporate sales by 1990.

Margaret Graham, a former Harvard researcher who now teaches the management of technology at the Boston University School of Management, had a bird's eye view of this story of corporate disaster. In 1975, when the videodisc project was well under way and still promising great things for RCA, she started work on a paper on innovation in the company, which eventually grew into a book. What emerges is a detailed study of the stresses and strains of organising research in a large corporation, particularly one which has been institutionalised after the reign of a dominating entrepreneur.

Several post facto arguments are commonly advanced for the failure of the RCA video disc. The product was too inflexible, it is said, with none of the recording and "time shift" characteristics of VCRs which allowed customers to record from television and thus watch broadcast programmes when they wanted to. The product was also launched, it is suggested, with insufficient programmes on disc; and it came too late, when the rival VCR technology was already well established.

Graham shows that most of these arguments were tossed around and exhaustively discussed by RCA not once but many times during the laborious process of bringing the videodisc programme to fruition. The company did plenty of market research. It even developed its own VCR, a project which was vigorously supported by the group's consumer electronics division before being scuppered.

In the end, RCA chose the video disc because it was wedded to the idea of a mass market product at a mass market price. Technology with such universal appeal lay at the heart of the RCA culture, and the group eventually decided that the video disc represented the cheapest and simplest option for sale to the man in the street.

In fact, Graham indicates, this judgment was wrong on at least three counts. First, the cheapness of the disc player made it less attractive to dealers, who were receiving higher margins from their VCRs. Second, the company entirely underestimated the American public's willingness to accept rented programming and even hardware — RCA thought, quite sensibly from the historical precedents, that Americans always wanted to buy. Third, it did not appreciate the speed at which the price of VCRs could be reduced.

Back in the 1960s and early 1970s, however, it was not easy to spot these flaws in the company's thinking. By 1975, when VCRs were first being introduced, they were selling for around $1,300, and six years later, when the RCA videodisc came along, they had dropped only to $900 a player. By contrast, RCA had a firm objective of a price of $500 a player — a target which it achieved for the launch.

RCA also felt that the average US consumer wanted a simple product, like a TV set, which did not involve a great amount of manipulation. It saw the videodisc as a more straightforward device to operate than the VCR. And it did not ignore the programming problem. Indeed, it tried to encourage other companies to come into the market to provide discs — a departure from its usual policy of trying to control the whole of its production and marketing chain — so that consumers would have the maximum choice possible.

If the company had been able to produce the videodisc earlier, before VCRs were established, there is no way of knowing what might have happened. But the delays in introducing the product underscored one of the weaknesses in the programme.

RCA not only underestimated the technical problems in bringing the player to market at the price it believed to be essential; it was also riven by internal struggles between scientists backing different video concepts, by a separate battle between the central research laboratories and the operating divisions, and by a series of management upheavals that led to changes in strategy and consequent upsets in the labs. The abandonment of the computer division in a $250m write-off in 1971, for instance, delivered a body-blow to the cult of the invincible, science-led corporation.

The constant chopping and changing of policy contrasted sharply with RCA's glory days under the 40-year leadership of David Sarnoff, the mercurial Russian emigree who ran the group from the 1920s. Sarnoff was a marketing genius, a man with a feel for the needs of the common man combined with a flair for appreciating the possibilities of technological development.

Under his leadership, the research effort at RCA was created, expanded and totally protected. He was a constant visitor to the labs, probing, prodding and encouraging all the time. Indeed, Sarnoff acted as a sort of lightning conductor between the demands of the market and the skills of the researchers.

When Sarnoff went, some of the protective cocoon in which the labs had worked went also. The scientists were left to make a case for themselves, often with executives who were sceptical about their utility and unwilling to make the effort to grasp the technical issues of what they were up to. In this atmosphere, there was probably a tendency for the scientists to over-reach themselves to produce a block-buster project that would justify their existence — particularly after the defeat in the computer industry.

Because research departments pull away in their own direction so easily, says Graham, it is extremely important for top management to be thoroughly involved in them. In a research-driven company, the laboratories contain the key of future strategy. Clearly, if top management keeps its distance it is also abrogating its control over the future—and delivering itself into the hands of a department which has little direct contact with market needs.

RCA and the Videodisc: The business of research. Margaret Graham. Cambridge University Press. £25 ($19.95). ISBN. 0 521 32282 0.

BET investor relations

Putting on a show for shareholders

BY CHARLES BATCHELOR

THE COLOURED spotlights flashed, the music swelled, the clinking of glasses stopped and on to the podium ran Nicholas Wills, the compact, extrovert chief executive of BET, the UK publishing, cleaning and transport conglomerate.

Wills, clearly in his element before a crowd of more than 1,000 BET shareholders, took the microphone to conduct the prize draw—top prize a weekend in Toronto, Canada. The draw was the climax of an evening of fun and instruction for the company's small shareholders dubbed "The BET experience."

Investor relations—BET style—had come to Crawley, West Sussex on a warm Thursday evening in September. The venue was two large marquees on the sports ground of BET's electronics subsidiary, Rediffusion, on the edge of town.

BET is engaged in a campaign, unusual, if not unprecedented, for a British company to get to know its shareholders. For a staid operator such as BET—it only dropped its quaint full title of British Electric Traction as recently as September 1985—the transformation is remarkable.

Many companies turn their annual meetings into attractions for their shareholders. Lonrho, the international trading group, puts on quite a show in the grand ballroom of the Grosvenor House Hotel each year. Shell arranged special shareholder presentations a few years ago but no one currently goes to the trouble of arranging a separate event on the scale of BET.

The shareholder evening was the culmination of two days of presentations to local VIPs, schools and colleges, customers and employees and their families.

The company's attempt to woo its 45,000 small shareholders—accounting for 30 per cent of its shares—is a small part of a grand strategy embarked upon 3½ years ago to reduce its vulnerability to a hostile takeover bid. Small shareholders are usually more loyal to their company than the hard-faced institution.

The company's self-defence programme has involved a hectic programme of disposals and acquisitions, all designed to give a shape and a structure to a fairly haphazard collection of businesses.

Nicholas Wills: enjoying the razzmatazz of "The BET experience."

The culmination of the latest acquisition, of painting, cleaning and scaffolding group HAT, coincided with the day of the BET September "experience." Fortunately for Wills he was able to announce that the bid had succeeded.

BET had been casting around for some time to find a way of reaching out to its small shareholders and employee share option holders, says Neil Ryder, head of corporate communications. "We thought of linking this event to our annual meeting but there are so many legal formalities to be gone through at it and an agm really has to be held in central London so we would not have the space. We aim to give all our small shareholders a chance to meet us over a five-year period."

The company also wanted to get closer to its shareholders in the provinces who would normally never make the trip to London. The first BET experience was held in Leeds last January and the company plans a programme of two a year—one in the London area, the other elsewhere in the country.

The Leeds event, which coincided with a blizzard, attracted 300 shareholders. The Crawley experience brought in about 1,100 for an estimated cost of £100,000.

"We get a helluva lot out of it in terms of marketing and staff morale as well," Ryder enthuses. "We also managed to sell a lot of double glazing and fitted bedrooms. It's not like the Ideal Home Exhibition because these people are favourably disposed to us anyway."

BET arranges for its various divisions to put on displays, involving, if possible, audience participation. The workwear clothing stand featured a team of six dancers while the double glazing stand invited shareholders to try to break a sheet of toughened glass.

In an adjoining marquee shareholders were served snacks and drinks to the music of the Anglian Windows Centres band while waiting for the prize draw. British reserve prevented anyone from dancing, however.

"We want to put on something that is informal and not too expensive," says Ryder. "We don't want to overwhelm shareholders by holding it in a large hotel or a conference centre."

BET reckons this format is more cost effective than corporate advertising in the press and that it also tells its shareholders much more about the company than they could learn any other way.

The theme for the latest "experience" was space travel, to reflect the fact that the main prize was a trip to the Space Age Theme Park in Toronto, Canada. Here visitors go on a "Tour of the Universe," a simulated space voyage, using Rediffusion simulation technology.

Sales promotion robots and Darth Vader figures took part in an evening which appeared to catch the imagination of most of those shareholders.

"It's terrific," said one, who had put one-third of a golden handshake into equities, some of them BETs. "It helps give a face to an anonymous conglomerate."

As share ownership widens with every privatisation issue other companies might be tempted to copy the BET experience as a way of keeping in touch.

Business courses

Product liability—the implications of the proposed legislation, London. November 18. Fee: £161. Details from Ergolab Conferences, 312 Beacon Road, Loughborough, Leicestershire LE11 2RD. Tel: 0509 503849 or 263584. Telex: 265871.

Raising venture capital, London. October 13. Fee: £60+ VAT. Details from Joanna Burt/Lorraine Segal, Deloitte Haskins and Sells, PO Box 207, 128 Queen Victoria Street, London EC4P 4JX. Tel: 01-248 3913. Telex: 89 49 41.

Writing that works—business proposals that sell; marketing reports that get the message across, London. November 7. Fee: £110 + VAT for members of IM; £130 + VAT for non-members. Details from IM Marketing Training, Moor Hall, Cookham, Maidenhead, Berks SL6 9QH. Tel: 06285 24922 ext 29.

Successfully acquiring unquoted companies, London. November 11-12. Fee: £448.50; £471.50 after October 28. Details from Miss J. K. Van Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111. Telex: 896827 TACS G/Ref 1202.

Loans to companies — terms, security and legal requirements, London. October 28. Fee: £207. Details from Legal Studies & Services, IBC House, Canada Road, Byfleet, Weybridge, Surrey KT14 7JL. Tel: 09323 55244. Telex: 888870.

Computers in integrated manufacturing, London. October 27. Fee: £175 + VAT. Details from Cherry Bigmore, BIS Applied Systems, 20 Upper Ground, London SE1 9PN. Tel: 01-261 9237. Telex: 919642.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§43	F.P.	—	59	49	‡Broad St. Grp.10p	49	−1	b1.1	2.2	3.2	20.2
§130	F.P.	17/10	195	152	‡Creighton Labs 20p	180	......	U3.7	2.2	2.9	20.8
160	F.P.	24/10	146	123	Euro Home Products 5p	125	+2	R4.25	2.5	4.8	9.6
§105	F.P.	16/10	112	105	‡Eve Construction	106	+1	u4.5	3.2	6.0	7.5
134	F.P.	—	161	134	‡F & H Group 10p	142	......	L4.76	2.5	4.6	12.0
‡‡	F.P.	—	28	27½	Group Development	27½	......	—	—	—	—
150	F.P.	15/8	165	136	Harrison Inds. 10p	157	−1	g5.0	2.7	4.5	11.8
105.25	F.P.	—	108	104	India Fund £1	108	......	—	—	—	—
§135	F.P.	—	154	145	‡Local London Group 5p	151	−1	W5.0	1.8	4.7	17.0
§75	F.P.	24/10	79	73	‡Newage Trans 5p	73	......	R3.5	2.5	6.8	8.3
§25	F.P.	22/10	25½	25½	Nth of Scotland Inv 10p	25½	......	—	—	—	—
135	F.P.	24/10	160	151	Sandell Perkins 10p	157	−1	u3.8	2.9	3.4	14.4
—	F.P.	—	18½	9	Sutcliffe Speak Wrnts	15½	......	—	—	—	—
130	F.P.	21/8	173	137	‡TV-am 10p	165	−1	R5.75	2.6	4.9	11.0
¶¶	F.P.	—	385	362	‡Utd. Trust & Credit £1	362	−3	u14.0	2.1	5.4	12.5
¶¶	F.P.	—	100	85	Welsh Ind. Inv. Tst. 5p	85	......	—	—	—	—
125	F.P.	10/10	156	136	Yorkshire TV	136	−1	R6.25	2.4	6.5	9.2

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
£100	F.P.	29/10	100½	91½	Bournem'th & Dist Wtr 10⅝% Rd Db 1996	91¾	+¼
¶¶	F.P.	26/9	94p	80p	Hollis 252% Cnv. Subord. Ln. 1988 (2½p)	80p	......
§100	£10	—	9½	3¾	Mid-Sussex Water 11% Red Deb 2012-16	4½	+¼
§100	F.P.	10/10	110½p	105p	Mountleigh 5.25% Cnv. Cum. Prf.	105p	−1
§99.937	£25	24/10	25¼	22¼	Nationwide 3⅝% Ii. Ln. 2021	22¼	......
—	F.P.	—	100⅛	98⅛	Do 9⅞% 7/9/87	98¼	......
—	F.P.	—	100⅛	99⅛	Do 10⅛% 21/9/87	99⅛	......
§100	F.P.	23/10	100⅛	91½	Portsmouth Water 10⅝% Red Deb 1996	91¾	+¼
1	F.P.	24/10	108½p	100p	Rush & Tompkins 7.5% Cnv.Cum.Red.Prf.£1	100p	−1
96.645	£25	8/1	24¾	17	Scot. Met. Prop. 10¼% 1st Mort. Deb 2016	18½	+1½
—	F.P.	—	106½	104p	Scott. & Newcastle 7% conv. Pref. £1	106½p	+2½
—	F.P.	—	98p	96p	Sutcliffe Speak 9½% Red. Cum. Prf.	98p	......
¶¶	F.P.	—	122p	115p	WCRS 5⅝% Cnv. Cum. red. Pref. 1999	116p	+1
¶¶	F.P.	—	95p	92½p	Walker (C & W) 6½pc Cnv Cum Red Pref	94p	......
¶¶	F.P.	—	104p	102p	Williams Hldgs 5¼% Cum Cnv Prf	102p	......

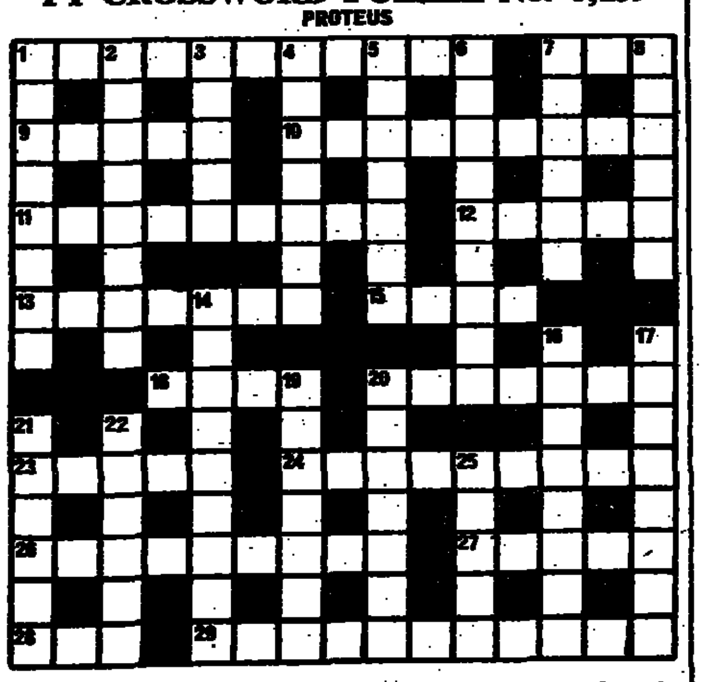
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
125	Nil	—	10pm	10pm	Appleyard Group	10pm	......
120	Nil	—	18pm	16pm	Brent Chemicals 10p	16pm	−2
195	Nil	—	18pm	4pm	Bunzl	7pm	+3
8	Nil	24/10	1pm	½pm	Cambrian Venture Cap. 5p	¾pm	+¾
25	Nil	—	8pm	4pm	Christy Hunt	4pm	−1
75	Nil	—	30pm	24pm	Ind. Fin. & Inv. Corp.	30pm	+1
215	Nil	—	5pm	2pm	New Court Nat.Res. 5p	2pm	−1½
215	F.P.	22/10	240	223	Persimmon 10p	223	......
250	Nil	—	49pm	43pm	Tinbook 10p	49pm	......
60	Nil	—	13pm	11pm	United Spring 10p	11pm	−2
60	Nil	—	11	10	Western Selection 20p	10	−1

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures *t* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▪ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE No. 6,139

PROTEUS



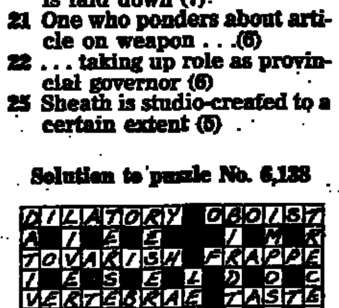
ACROSS

1 Dance seen in African production of "A Midsummer Night's Dream"? (5,6)
7 Fashionable-sounding hostelry (3)
9 A politician the French see as liberal (5)
10 Extremely fair method of providing illumination (4,5)
11 Criteria for certain types of tree (9)
12 Material found by traveller in church (5)
13 Go over part of arbiter at eisteddfod (7)
15 Solitary swimmer (4)
18 Clergyman turning ring from one side to the other (4)
20 Abandon hope of ride out in spring (7)
23 Once more making a profit (5)
24 Adherent who needs to drink malt liquor (9)
26 Ships holding right to show pennons (9)
27 Church regret putting out plaited frilling (5)
28 Soldier needing soft material (3)
29 Oriental country-delegate specialising in property? (6,5)

DOWN

1 Carries relatives' military headgear (8)
2 What counsel did in court it seemed (8)
3 Massage is a necessity we hear (5)
4 Died opposed to Gaelic tongue's counterpart (7)
5 Pushes for hospital to be included in business arrangements (7)
6 Spy scattering clues in minute quantities (9)
7 Painter of increasing respectability (6)
8 Stone barrel overturned to release spice (6)
14 Saying about foremost model having superiority over another (9)
16 Little bit of a soft thing (8)
17 Pinter play about sport for the lascivious? (8)
19 Refrain from harming relation (7)
20 Made positive partly by what is laid down (7)
21 One who ponders about article on weapon . . . (6)
22 . . . taking up role as provincial governor (6)
25 Sheath is studio-created to a certain extent (5)

Solution to puzzle No. 6,138



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	22.3	23.8	-0.8	0.15
Pacific Basin	20.3	21.7	+0.7	0.2
Canadian Balanced Growth	57.5	61.4	-1.4	0.98
Glenic Mar.	101.7	106.0	+0.3	7.1

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smlr Co's (z)	56.5	58.1	-0.3	1.5
British Growth (z)	64.0	65.8	-0.8	2.5
British Income (z)	66.2	67.0	-0.5	4.75
British Extra Yield (z)	49.1	50.5	-0.5	7.0

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.6	68.7	+0.1	—
U.S. Govmt Bond Fd	50.512	0.513	-0.001	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	47.8	50.9	-0.3	7.74
Growth Trust	50.7	54.0	-0.1	2.29
Income Trust	52.6	56.0	-0.1	5.19

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	66.8	70.5	-2.3	2.90

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	124.5	132.5	-0.9	3.27

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Aug 12	—	105.9	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	206.6	217.5	-0.7	—
Equity Ser. 1	97.9	103.1	-0.9	—
Prop. Acc. Ser 2	278.1	292.8	-0.7	—
Equity Ser 2	106.4	112.0	-1.1	—
Selective Acc	230.6	242.8	-1.7	—

City of Edinburgh Life Assurance
4b Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	103.0	109.0	—	—
Risk & Reward Bond	123.0	130.0	—	—
Murray Johnstone Fd	123.0	130.0	+2.0	—
Money Market Fd	104.0	110.0	—	—
Ivory & Sime Pens Fd	105.0	111.0	+3.0	—
Risk & Reward Pens Fd	105.0	111.0	+3.0	—
Murray J'stone Pens Fd	118.0	125.0	—	—
Money Market Pens Fd	104.0	110.0	—	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2NU Tel: 0908 690888

Current Series

Property Fund	115.7	121.8	+2.8	—
Money Fund	222.9	234.7	—	—
Managed Fund	399.1	420.2	-3.2	—
Equity Fund	246.2	259.2	-1.7	—
Fixed Interest Fund	136.7	143.9	-3.9	—
Far East Fund	223.2	235.0	+2.5	—
North American Fund	165.1	173.8	-2.0	—
Natural Resources Fund	140.6	148.0	-0.7	—
Pension Managed Fund	372.8	392.5	-4.4	—
Pension Equity Fund	234.0	246.4	-0.6	—
Adventurous Mngd Fd	114.1	120.2	+0.5	—
Balanced Mngd Fd	110.7	116.6	+0.5	—
Conservative Mngd Fd	106.7	112.4	+1.0	—
European Fund	105.7	111.3	+0.7	—
International Fund	116.4	122.6	+0.2	—
S.U.N. Flagship Fd	123.1	129.6	+0.6	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds

Mixed	130.8	137.7	+0.5	—
Equity	146.6	154.4	+1.0	—
Property	109.2	115.0	—	—
Gilt & Fixed Interest	106.3	111.9	+0.5	—
Indexed Securities	98.5	103.7	+0.1	—
Cash	107.7	113.4	—	—
North American	105.1	110.7	-0.1	—
Far East	134.2	141.3	-0.4	—
International	124.8	131.4	+0.2	—
Special Situations	143.7	151.3	+1.8	—
International Income	138.0	145.3	+1.1	—
American Income	115.4	121.5	+0.4	—
European	148.6	156.5	+0.4	—

Flexible Retirement Plan

Mixed	134.5	141.6	—	—
Equity	140.6	148.0	-0.1	—
Property	114.6	120.7	—	—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ... $28.56 | +0.07 | —

World Wide Growth Management◊
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ... $16.22 | — | —
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ... $27.96 | — | —
Dynamic Grth Fd ... $19.41 | — | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ... $11.92 12.41 | — | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 7AX 01-283 6462				
Call Fund	8.75	6.54	9.54	3-mth
7-day Fund	8.62	6.46	9.40	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.40		—	3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	8.59	6.45	9.36	6mth
7-day Fnd	8.79	6.57	9.58	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	8.34	6.25	8.92	6-Mth
7-day Fund	9.18	6.86	9.83	6-Mth
Dollar	5.81	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc	9.25	6.90	9.82	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qtr
Mth. Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.57	11.04	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.30	6.95	10.11	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.50	7.00	10.12	Qtr
Benchmark Trust Ltd				
9 Henrietta Place, W1M 9AG. 01-631 3519				
Cap Chq Deposit Acc	9.25	6.91	10.04	Mth
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	9.50	7.10	10.35	Mth
U.S. Dollar	5.375	4.02	5.76	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss francs	1.50	1.12	1.59	Mth
Japanese Yen	4.00	2.99	4.27	Mth
Citibank Savings				
St Martins Hse, Hammersmith Grove 01-581 1422				
Money Market Plus	Top rate	7.00	10.18	Mth
For other rates please 'phone our Teleline [illegible]				
Co-operative Bank Cheque & Save				
78-80 Cornhill EC3 01-626 6543				
£500-£2,500	6.69	5.00	7.18	Qtr
£2,500 +	9.38	7.00	10.12	Qtr
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE 0803 862271				
Money Mkt Acc	9.50	7.10	10.30	Qtr
Henderson/Bank of Scotland				
38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	9.30	6.95	10.11	Mth
Legal & General (Money Mngrs) Ltd				
355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc	9.70	7.25	10.39	6-mth
Lloyds Bank PLC				
71 Lombard St, London EC3P 3BS 01-626 1500				
HighIntCheque Account	9.00	7.20	10.43	Qtr
Lombard North Central PLC				
17 Bruton St, W1A 3DH 01-409 3434				
14-Day Notice	9.00	6.72	9.46	—
M & G/Kleinwort Benson				
M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	9.01	6.73	9.78	Daily
Midland Bank plc				
PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc	9.03	6.75	9.75	Qtr
£10,000 +	9.36	7.00	10.12	Qtr
M.I.M. Britannia Ltd				
74-78 Finsbury Pavement, EC2A 1JD 01-588 2777				
Cater Allen	9.13	6.82	9.9128	—
NatWest Special Reserve Account				
41 Lothbury, London, EC2P 2BP 01-256 9938				
£2,000 to £9,999	9.25	6.875	9.94	Qtr
£10,000 and above	9.375	7.00	10.12	Qtr
Oppenheimer Money Mgmt Ltd				
66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt. Acct.	8.50	6.36	—	3-Mth
Phillips & Drew Trust Ltd				
120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	9.00	6.73	9.72	Qtr
Provincial Trust				
30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc	10.00	7.48	10.90	Mth
Royal Bank of Scotland plc				
42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201				
Premium Account	9.37	7.06	10.19	Qtr
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	9.10	6.80	9.91	Daily
Tyndall & Co				
29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc.	10.04	7.50	10.37	Qtr
Monthly Acc	9.36	7.00	10.12	Qtr
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc	8.25	6.17	8.94	Mth
Over £10,000	8.50	6.35	9.21	Mth
Western Trust & Savings Limited				
The Moneycentre, Plymouth PL 1SE 0752 224141				
High Int Chq Acc	9.94	7.43	10.76	Qtr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.9	9.22	11.94	Qtr

NOTES—Gross: rate in those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◊ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	38	NEI	11
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect	16
Babcock	17	RHM	29
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	**Oils**	
Guardian	75	Brit. Oil & Min.	$2\frac{1}{2}$
GKN	32	Brit Petroleum	48
Hanson Tst.	16	Burmah Oil	30
Hawker Sidd	48	Charterhall	4
ICI	55	Premier	$3\frac{1}{2}$
Jaguar	38	Shell	55
Ladbroke	32	Tricentrol	11
Legal & Gen	24	Ultramar	18
Lex Service	28	**Mines**	
Lloyds Bank	38	Cons Gold	40
Lucas Inds	52	Lonrho	24
Marks & Spencer	18	Rio T Zinc	50
Midland Bk	44		
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

EEC commission seeking further milk quota cut

BY TIM DICKSON IN CUMBRIA

MR FRANS ANDRIESSEN, the EEC Farm Commissioner, yesterday dropped a clear hint that he is considering proposals for a further cut in milk quotas.

The move would be highly controversial because Community Farm Ministers have already agreed this year that they will implement cuts of 2 per cent in April 1987 followed by a further 1 per cent reduction in April 1988.

Dairy surpluses, however, currently represent the European Commission's biggest agricultural headache with milk production now exceeding consumption by about 8m tonnes and butter (particularly) and skimmed milk powder pouring into EEC intervention stores at an alarming rate.

Officials in Brussels are seriously concerned about the impact on the Community's budget of the butter "mountain," which reached a record 1.35m to 1.4m tonnes last month.

Asked about the dairy problem at a Press briefing following an "informal" meeting of EEC Farm Ministers in Bowness-on-Windermere in the English Lake District, Mr Andriessen observed that milk quotas were still "too high" and that the system, introduced in 1984, is not working as well as had been hoped. He added: "I don't exclude that circumstances will oblige me to come up with other proposals besides those already agreed for the next two years."

Mr Frans Andriessen, the EEC's Agricultural Commissioner

Such a move — which would probably form part of the Commission's overall farm price plans for 1987 due to be unveiled by the end of this year — would be a major test for the new mood of realism among EEC Farm Ministers claimed yesterday by Mr Michael Jopling, Britain's Secretary of State for Agriculture and at present President of the EEC Farm Council.

Commenting on yesterday's informal discussion on a controversial British scheme to pay European farmers to take land for cereals out of production, Mr Jopling claimed that there was "a widespread feeling that something needs to be done urgently."

Asked whether he shared this optimism, Mr Andriessen pointed out that "the problem in the Community is that everybody agrees with the analysis," but that the same cannot be said about practical solutions.

Yesterday's discussion on the British-inspired ideas, which would involve paying farmers between 60 and 300 Ecus per hectare per year to remove an estimated 10 per cent of cereal land in the Community from production, was by most accounts a case study of this comment. Ministers were divided for example on whether such a scheme should be compulsory — with Denmark, the Netherlands and Belgium, for example in favour and Portugal, Luxembourg and Britain firmly against. Mr Ignaz Kiechle, the West German Minister, emphasised that while he favoured "set aside" in principle, such a scheme should on no account be accompanied by price reductions. Farm incomes had already suffered enough, he claimed.

Mr François Guillaume, the French Minister, warned of the dangers of agreeing to cut back cereal production in Europe only for other world producers to step into the gap in traditional European export markets.

Pipeline work to slow flow of Iraqi crude

By Richard Johns

OIL PRICES should be strengthened in the last two months of 1986 by restrictions on the flow of Iraqi crude through Saudi Arabia's trans-peninsula pipeline system to Yanbu on the Red Sea because of engineering work related to the expansion of the facility.

The Arabian American Oil Company, which is responsible for the Kingdom's producing operations, is understood to have warned customers that volume available via the export outlet will be limited from the beginning of November until early in January. Work involved in raising the pipeline's capacity from 1.8m barrels a day to 3m b/d will require the shutdown of multi-pump units along the pipeline, Aramco told them in a recent telex giving them the option of loading crude at the Ras Tanura terminal in the Gulf.

Iraqi oil exports are expected to be hit first by work on the expansion programme. It had been pumping Basrah Light at a rate of 370-380,000 b/d through the system which nearly a year ago was connected to its southern fields by a spur line with a capacity of 500,000 b/d.

As yet Baghdad has not told customers how they might be affected. Nor is it clear whether the Saudi Government will compensate the Iraqi regime, which is squeezed by a drastic shortage of foreign exchange, for the loss of revenue.

Reduced exports by Iraq should fortify efforts by the Organisation of Petroleum Exporting Countries to raise prices by the end of the year by holding back supplies. Iraq is the only member not a party to the interim accord limiting the output of the other 12 to 14.8m b/d during September and October. The production-sharing pact is scheduled to be reviewed by a Ministerial conference scheduled to start on October 6.

Swiss group to cut aluminium output again

By John Wicks in Zurich

THE ALUSUISSE group has announced a further reduction in its European primary-aluminium capacity. By the end of next year, capacity of the Rheinfelden smelter in Germany is to have been gradually cut back from 60,000 to 40,000 annual tonnes.

This move, necessitated by "continuing low prices for raw aluminium and high energy costs," will be accompanied by an expansion of the plant's secondary-metal capacity for the processing of cheap metal and scrap. Investments will also be made in Rheinfelden in the field of liquid metal.

Time runs out for US wheat offer to Soviets

BY NANCY DUNNE IN WASHINGTON

THE SOVIET UNION looked last night to have walked away from President Reagan's offer of subsidised wheat, which provoked furious protests in the US and in competing grain-exporting countries when it was made in the summer.

The deadline for accepting the offer of 3.85m tonnes, to be sold under the US-USSR long term grain agreement, was set to expire at midnight in Washington.

However, the Soviet Union had never shown much interest in the US offer and last week bought 1m tonnes of subsidised European wheat from the EEC at $11 a tonne cheaper than the American grain.

President Reagan's offer had been hotly criticised by Australia, Canada and Argentina who objected to the US use of subsidies in the competitive grain market. In the US, hard-line conservatives accused the administration of "giving Moscow cheap wheat."

US farmers' leaders said the wheat had not been cheap enough and added that legislators representing farming states were ready to consider measures to force the administration to sell grain "really competitively."

S Africa sees higher minerals earnings

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA's un-processed mineral exports are officially expected to rise to $11.62bn this year from last year's $10.53bn, according to the Minerals Bureau of the Department and Energy Affairs. The major part of the growth will be due to higher gold prices which are estimated to lift the value of gold production to $7.76bn from $6.88bn in spite of the expectation that gold production will drop to 652.1 tonnes from last year's 672.9 tonnes.

The value of other mineral exports is expected to grow more slowly to $3.86bn from $3.65bn. Coal sales, the Minerals Bureau says, are likely to drop to 43.5m tonnes, worth $1.16bn from 1985's record level of 44.81bn tonnes, worth $1.39bn. The Bureau does not quantify the expected market loss due to sanctions but points out that sales to Europe were curtailed by the Danish boycott.

Diamond sales are forecast to rise to 9.65m carats, worth $365m, from 8.78m carats, worth $187.5m. The most significant development in the diamond market, the Bureau says, has been the restoration of buoyant market conditions, after five years of severe depression. However, the Bureau cautions that price and value increases are likely to be at lower rates next year if stocks are reduced in cutting centres.

Amongst the ferro-alloys only chromium ferro-alloys and vanadium pentoxide are expected to show any significant export growth this year. The Bureau estimates that exports will rise to 845,000 tonnes, worth $354m, from last year's 758,617 tonnes, worth $307.6m. Lower demand will reduce chrome alloy exports next year, the Bureau believes. Vanadium pentoxide exports are estimated to rise to 26,000 tonnes of contained material worth $85.2m from 21,790 tonnes in 1985, worth $54m.

Total exports of processed minerals are expected to increase to $1bn this year from $837m in 1985.

Sour aspects of a bumper US sugar crop

David Owen explains why the prospects of a big US beet harvest are not greeted with universal approval

THE BUMPER 1981 sugar beet crop is remembered in Billings, Montana, with the same air of misty-eyed reverence reserved by port drinkers for the 1945 vintage. Initial indications suggest that the 1986 harvest, currently getting under way in the beet fields of the mid-West, may be almost as good.

This is excellent news for local growers like Mr Randy Robertus, since sugar beet is one of the very few crops on which they can reasonably expect to make a profit this year. It's good news too for refiners, such as the Denver-based Western Sugar Company (acquired last year by Tate & Lyle), which professes itself "happy" with the 18 cents a lb loan rate guaranteed under the 1985 Food Security Act (Farm Bill). It is exceptionally bad news, however, for Department of Agriculture (USDA) administrators. They are faced with the prospect of costly loan defaults should excess supply force the market further below the nominal 21.50 cents a lb Market Stabilisation Price. (The MSP is calculated as the loan rate plus accrued interest, transportation and handling costs and an incentive factor.)

As it is, nearby prices on the relevant futures markets — the New York-based Coffee Sugar and Cocoa Exchange's number 14 contract—have been below the MSP since the last quarter of 1984, sinking to an average of as low as 19.15 cents a lb in the October-December 1985 quarter. While they have since recovered to average 20.91 cents in the second quarter of 1986, the upswing was too little and too late to prevent defaults. In August Washington moved to empty warehouses with the controversial sale of 145,850 tonnes of forfeited raw cane sugar to China at an estimated $45m loss. This made a mockery of the directive that the sugar programme be administered "at no cost to the Federal Government."

In the past the powers that be have resorted to the politically all embarrassing expedient of reducing import quotas to restrict the damage—if the controlled market were not embarrassment enough to an Administration which preached free trade. The market has recently been sustained, for example, by the April 30 announcement that the original 10 months "quota year" is to be extended by three months until the end of December 1986.

If the supply side equation does indeed have to be reworked as a result of a larger than expected beet crop, hard pressed exporters to the US are again likely to feel the pinch.

In fact, the current situation could set a worrying precedent as far as the sugar exporting nations of the Caribbean and elsewhere are concerned. Hitherto, declining sucrose demand has provided Washington's excuse for progressively restricting their access to the lucrative US market. While US per capita consumption of calorific sweetners has changed little in the last 15 years, sugar's share has fallen to under 50 per cent from 83 per cent in 1970. Increased use of corn sweetners — principally high fructose corn syrup (HFCS)—has been primarily responsible. Imported sugar's share of the calorific sweetner market has fallen from close to 40 to nearer 15 per cent in the same period.

If import quotas are again reduced in 1987 supply factors will, for the first time be the principal cause. Even though the decline in per capita sugar consumption appears to be levelling off with HFCS generally reckoned to have achieved near maximum penetration, under this scenario, foreign sugar suppliers would still be forced it tighten their belts yet another notch.

While sugar may be the only Farm Bill commodity of which the US is a net importer, there is no stated official intention to move towards self-sufficiency. Indeed, the USDA's view is that the Act is likely to ensure relatively stable domestic sugar production. The more so, since, in the words of Mr David Carter, US Beet Sugar Association president, "no-one is going to put up $100m to build a new processing plant." A big 1986 crop may therefore be construed as a flash in the pan. Nonetheless, as Mr Bill O'Neill, director of research at New York based Elders Futures points out, "there is more than adequate US refining capacity for both beet and cane." Capacity which would have few problems accommodating the expected bumper beet crop.

So for 1987 at least prospects for hopeful offshore sugar suppliers look grim, even if they do use their limited political clout to maintain quotas above what would strictly be needed to keep the market in balance, as they have in the past.

Prospects for prices are little better, with most observers feeling that even current levels will prove difficult to maintain. Particularly since there remains the possibility that the loan rate for raw cane sugar will effectively be reduced to 17.23 cents a pound under the Gramm-Rudman Emergency Deficit Control Act.

While "excessive" 1987 import quotas would depress prices generally, pressure will probably be felt most quickly in the localised US domestic market in areas of the mid-West and California.

In April 1985, when Tate and Lyle acquired six beet factories from the bankrupt Great Western Sugar Company (formerly owned by the ubiquitous Bunker Hunts) no buyer was found for six further Great Western installations in Colorado and Kansas. For 1985 beet plantings in the vicinity of the shuttered plant were drastically reduced. In March 1986, Tate and Lyle acquired two of the Colorado factories. Sure enough, the beet fields reappeared phoenix-like in their wake. Clearly, after one year's absence, the additional Colorado output (or the supplies which replaced it locally) will have to fight for a market.

Meanwhile in California, traditionally a surplus sugar producer, a three-month strike at the huge C and H refinery near San Francisco, which boosted locally refined sugar prices and distorted supply patterns, recently ended. The plant refines cane sugar grown by the 13 Hawaiian producers which own it. C and H's re-entry into the refined market may likewise be expected to hit local prices. "We are about to find out whether we have lost market share (during the stoppage) or not," says the company's director of marketing Mr Fred Sammis.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,460-2,570.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.40-2.60.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 1.02-1.07, sticks, 1.02-1.07.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.15-6.50.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 115-130.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.15-3.20.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.30-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO₃ cif, 32-43.

VANADIUM: European Free market, min. 98 per cent V₂O₅, other sources, $ per V₂O₅ cif 2.47-2.54.

URANIUM: Nuexco exchange value, $ per lb U₃O₈, 17.00.

LONDON MARKETS

THE BEARS carried all before them on the London coffee futures market yesterday as the November position extended Monday's £38 fall by another £103.50 a tonne. The price ended the day at £2,332.50 a tonne after dipping at one stage to £2,310, the lowest level for three weeks. The sell-off was signalled by New York's overnight weakness and fuelled by investment fund and technically - based selling which triggered stop-loss orders around the £2,350 support level. Some dealers maintained, however, that fundamental coffee factors remained bearish, with Brazil still buying to make its own crop shortfall and continuing dry weather threatening the coming Brazilian crop. "Futures are dominated by funds—they don't reflect the real state of affairs at the mounent," commented one trader. Cocoa futures were also weak though, like coffee, they finished above the days lows.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	833-4	—	834/830
3 months	810-10.5	—4.25	813/808.5

Official closing (am): Cash 833.5-4 (827-9), three months 810-1 (812-3), settlement 834 (829). Final kerb close: 812-3. Turnover: 31,525.

COPPER

Grade A	Unoffic'l close	+ or —	High/Low
Cash	931-2	—12	934/933
3 months	955-5.5	—11	961/955

Official closing (am): Cash 934-4.5 (938.5), three months 958-9 (961.5-2), settlement 934.5 (939). Final kerb close: 955-6.

Standard			
Cash	906-8	—15	910/907
3 months	931-2	—14	935

Official closing (am): Cash 909-10 (916-6.5), three months 935-6 (939.5-4.0), settlement 910 (916.5). US producer prices 64-68 cents per pound. Total turnover 25,625 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	277-7.5	—0.5	278.5
3 months	281.5-2	—0.5	284/281.5

Official closing (am): Cash 278.5-8.75 (278-8.5), three months 282.5-3 (282-2.5), settlement 278.75 (278.5). Final kerb close: 281-2. Turnover 5,775 tonnes. US spot: 23-24 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2550-5	—40	—
3 months	2611-2	—61	2650/2585

Official closing (am): Cash 2,570-5 (2,590-5), three months 2,619-20 (2,642-3), settlement 2,575 (2,595). Final kerb close: 2,610-15. Turnover 1,458 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 14.03 (14.03) ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	611-5	—3	—
3 months	609-9.5	—5.75	5616/598

Official closing (am): Cash 614.5-5.5 (612-3), three months 611.5-2 (613-4), settlement 615.5 (613). Final kerb close: 609.5-10. Turnover: 12,750 tonnes. US Prime Western: 44-47.50 cents per pound.

GOLD

Gold fell $4⅞ an ounce from Monday's close in the London bullion market yesterday to finish at $423¾-424. The metal opened at $421½-422½ and traded between a high of $424½-425¼ and a low of $420½-421¼. Although down from Monday, gold remained above the $420 support level and improved from an opening level in line with a firmer trend in other precious metals.

GOLD BULLION (fine ounce)	Sept. 30	
Close	$423¼-424	(£292-292¾)
Opening	$421½-422½	(£292-293)
M'n'g fix	$421.20	(£291.186)
Aft'n'n fix	$423.20	(£292.427)

GOLD AND PLATINUM COINS		
Kr'g'rnd	$432-435	(£291½-293¾)
½ Krug	$223¼-224¾	(£154¼-155¼)
¼ Krug	$113¾-114¾	(£78¾-79¼)
1/10 Krug	$46-47	(£31¾-32½)
Mapleleaf	$436¼-438¼	(£300¾-302¾)
Angel	$431-435	(£297¾-300½)
1/10 Angel	$45½-50½	(£31¼-35)
New Sov.	$100-102	(£69-70½)
Old Sov.	$103¼-105	(£71¼-72½)
$20 Eagle	$470-520	(£324¾-359¼)
Noble Plat	$563¾-574	(£389¼-396¾)

SILVER

Silver was fixed 11.3p an ounce lower for spot delivery in the London bullion market yesterday at 380.7p. US cent equivalents of the fixing levels were: spot 552.0c, down 11.9c; three-month 559.9c, down 12.1c; six-month 568.3c, down 11.8c; and 12-month 585.35c, down 10.95c. The metal opened at 381-382½p (550-553c) and closed at 381½-383p (553-555c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	380.70p	—11.3	380p	—11
3 months	390.45p	—11.9	390.5p	—10.5
6 months	400.35p	—12.6	—	—
12 months	420.65p	—13.9	—	—

LME — Turnover: 37 (36) lots of 10,000 oz.

Three months high 391p, low 390p, final kerb 392-4p.

MEAT

Month	LIVE CATTLE Y'day's close	+ or —	LIVE PIGS Y'day's close	+ or —
Oct	96.50	—	105.50	—
Nov	99.00	—0.50	104.50	—
Feb	—	—	98.50	+0.50
Apr	99.50	—	99.50	—0.50

Cattle sales: 2 (0) lots of 5,000 kg. Pigs sales: 0 (0) lots of 3,250 kg.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 90.87p per kg lw (—0.96). GB—Sheep 119.64p per kg est dcw (—4.77). GB—Pigs 77.42p per kg lw (—0.77).

REUTERS INDICES

Sept 29	Sept 26	M'th ago	Year ago
1542.5	1546.5	1463.2	1702.2

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Sept 29	Sept 26	M'th ago	Year ago
Spot	123.11	123.94	—	116.86
Fut	124.20	123.75	—	112.99

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Sept. 30 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	[illegible]	+15	[illegible]
Copper			
Cash Grade A	£931.5	—12	£885.5
3 mths	£955.25	—11	£900.75
Gold Troy oz	$423.625	—4.375	$393
Lead Cash	£277.25	—0.5	£270.75
3 mths	£281.75	—0.5	£272.75
Nickel			
Free Mkt	168/189c		178/190c
Palladium oz	$134.50	—2.25	$144.00
Platinum oz	$548.50	—18	$640.00
Quicksilver†	$140/160		$155/145
Silver troy oz	380.70p	—11.30	348.75p
3 mths	390.45p	—11.90	356.85p
Tin			
free mkt	[illegible]	—10	[illegible]
Tungsten	$51.35		$55.63
Wolfram 22.04lb	$32/42		$35/45
Zinc	£612	—3	£578.5
3 mths	£609.25	—5.75	£581.25
producers	$930		$840/880
OILS			
Coconut (Phil)	$270w		$250
Palm Malayan	$250v		$150
Copra (Phil)	$170x		$150
Soyabean (U.S.)	$165x	+2	$157
GRAINS			
Barley Fut. Jan.	£110.95	—0.45	£107.20
Maize	£146.00c		£153.50
Wheat Fut. Jan.	£110.15	—0.35	£107.25
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1491.5	—31	£1546.5
Coffee Ft. Nov.	£2332.5	—103.5	£2542.5
Cotton A Ind.*	48.75c	+1.1	38.30c
Gas Oil Nov.	$127.5	+2.25	$138.25
Rubber (kilo)	57p	+2	60p
Sugar (raw)	$121w	—3	$125
Wooltops 64s	386p kilo		387p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. x Oct. * Cotton outlook. y Nov. z Sept-Oct. w Oct-Nov. v Dec.

COCOA

Following an opening at the levels due £10-£15 easier, futures eased sharply late in the morning to £50 below the previous close before steadying to end the day on a firmer note. Physical interest was limited with producers continuing withdrawn and only light consumer business noted, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or —	Business Done
Sept.	—	—	1477-1427
Dec	1491-1492	—31.0	1515-1472
March	1533-1534	—31.0	1555-1515
May	1554-1558	—33.5	1577-1555
July	1578-1575	—34.0	1595-1554
Sept.	1592-1593	—33.5	1610-1574
Dec	1613-1614	—30.5	1632-1585

Sales: 4,576 (2,125) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for September 30: 95.06 (95.99); five-day average for October 1: 95.88 (95.63).

COFFEE

Mass liquidation caused heavy losses with the market failing to find any major trade support, Drexel Burnham Lambert reports. Commission house selling triggered large sell stop-loss orders and by early afternoon levels had lost up to £125 from the previous close. The trade made an appearance around mid-afternoon to push the market up £55 from the lows but could not stop further liquidation on the close.

COFFEE	Yesterday close	+ or —	Business Done
Sept.	—	—	2488-2280
Nov	2330-2335	—103.5	2420-2310
Jan	2291-2295	—84.5	2378-2275
Mar.	2235-2240	—76.0	2236-2280
May	2230-2235	—77.5	2250-2210
July	2200-2230	—90.0	2215
Sept.	2165-2225	—105.8	—

Sales: 9,492 (5,685) lots of 5 tonnes. ICO indicator prices (US cents per pound) for September 29: Comp. daily 1979 (180.29) (181.53); 15-day average 182.48 (182.41).

SOYABEAN MEAL

	Y'sterd'ys close £ per tonne	+ or —	Business done
October	155.5-158.5	—	—
Dec.	154.6-155.0	+0.65	134.2
Feb.	155.5-155.8	+0.40	—
April	156.7-157.4	+0.45	—
June	155.5-158.7	+0.35	135.5
August	154.7-155.8	+0.35	—
October	154.6-158.8	+0.50	—

Sales: 29 (211) lots of 20 tonnes.

GRAINS

Mnth	WHEAT Yesterday's close	+ or —	BARLEY Yest'rdy's Close	+ or —
Nov.	108.05	—0.70	109.35	—
Jan	110.15	—0.35	110.95	—0.45
Mar	112.35	—0.35	113.05	—0.45
May	114.55	—0.10	114.95	—0.35
July	117.25	—	—	—

Business done—Wheat: Nov 108.30-7.95, Jan 110.30-10.00, March 112.35-2.10, May 114.50-4.25, July untraded. Sales: 313 lots of 100 tonnes. Barley: Nov 109.35-8.80, Jan 111.10-10.90, March 113.05-3.00, May untraded. Sales: 275 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no. 1 15 per cent Oct 97.75, Nov 99.25, Dec 100.25. US no. 2 soft red winter Oct 101.75, Nov 103.75, Dec 105.50. French 11½-12 per cent Oct 131.50. English feed fob Jan/March 116.50 paid east coast. Oct 112.50 buyer, Nov 113.00 seller, Dec 114.50 buyer, Jan/March 115.50 seller. April/Jan 119.00 buyer east coast. Maize: US no. 3 yellow/French transhipment east coast Oct 146.00. Barley: English feed fob Jan/March 116.50 sellers.

HGCA—Locational ex-farm spot prices (including coresponsibility levy of £3.373 a tonne): Feed Barley: S. East 108.40, S. West 105.90, W. Mids. 104.90, N. West 105.30. The UK monetary coefficient for the week beginning Monday October 6 (based on HGCA calculations using 5 days' exchange rates) is expected to be unchanged.

RUBBER

PHYSICALS — The London market was very quiet, reports Lewis and Peat. Closing prices (buyers): Spot 67.00p (65.00); Nov 66.00p (63.25p); Dec 66.00p (63.25p). The Kuala Lumpur fob price (Malaysian cents a kilo): RSS No 1 227.5 (228.0) and SMR 20 206.0 (205.0).

FUTURES—Index 657, Nov 648-663, Dec 650-665, Jan-March 658-673, April-June 668-682, July-Sept 671-687. Sales: nil.

JUTE

JUTE—July-August 1986 c and f Dundee BTD $360, BWC $350, BTD $310, BWD $310; c and f Antwerp BTC $330, BWC $330, BWD $300, BTD $300.

US MARKETS

SUGAR FUTURES attracted some aggressive commercial house buying interest, as with the expiry of the October contract the considerable short positions which had dogged the market for the last weeks were not automatically switched into March, the next prominent delivery position, reports Heinold. Indeed, observers noted that commission house and fund sources used the opportunity to reverse their technically - based positions, as the March contract stopped just two points short of reaching the daily half-a-cent trading limit before settling 31 points up on the day at 6.28c. Having initially moved five points lower than the previous day's close, technical traders viewed this reversal as a possible basis of another rally attempt for a market which has been unable to sustain speculative interest

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	52.05	—	—	52.05
Nov	52.15	—	—	52.15
Dec	52.50	52.75	50.75	52.40
Jan	52.55	—	—	52.45
March	52.80	53.05	53.05	52.70
May	53.05	—	—	52.95
July	53.30	—	—	53.20
Sept	53.60	—	—	53.40
Dec	53.60	—	—	53.50
Jan	5380	—	—	53.70

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	2011	2015	1995	2023
March	2034	2035	2011	2028
May	2055	2056	2031	2047
July	2076	2076	2055	2070
Sept	2091	2090	2075	2085
Dec	2105	2105	2085	2100

COFFEE "C" 37,500 lbs, cents/lb

	Close	High	Low	Prev
Dec	201.36	202.00	—	205.50
March	194.47	193.75	192.00	197.72
May	192.72	192.78	192.78	196.78
July	192.70	192.70	192.70	196.70
Sept	192.78	192.75	192.75	196.75
Dec	194.50	195.00	193.99	197.99

COPPER 25,000 lbs, cents/lbs

	Close	High	Low	Prev
Oct	60.55	—	—	60.50
Nov	60.90	—	—	61.15
Dec	61.20	61.70	61.15	61.15
Jan	61.30	—	—	61.15
March	61.50	62.00	61.40	61.45
May	61.80	—	—	61.75
July	62.00	62.30	62.20	61.95
Sept	62.25	62.50	62.40	62.25
Dec	62.80	63.10	63.00	62.75
Jan	62.90	—	—	62.85

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	46.05	47.75	45.65	44.34
Dec	46.05	46.05	46.05	44.05
March	46.77	46.77	46.77	44.77
May	47.50	47.50	47.50	45.50
July	47.80	47.80	47.80	45.80
Oct	49.10	49.20	49.20	47.20
Dec	49.70	49.85	49.40	47.85
March	50.18	—	—	48.18

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Latest	High	Low	Prev
Nov	14.97	15.15	14.85	14.89
Dec	15.13	15.28	15.05	15.10
Jan	15.03	15.18	14.98	15.03
Feb	14.95	15.06	14.95	14.95
March	14.92	15.00	14.90	14.89
April	14.90	15.00	14.88	14.88
May	14.99	15.00	14.90	14.87
June	15.05	15.05	15.05	14.86
July	15.15	15.15	14.90	14.85
Aug	15.09	15.09	15.09	15.09

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	425.7	426.0	422.0	422.9
Nov	428.0	—	—	524.3
Dec	429.8	431.5	524.8	427.1
Feb	433.5	434.7	429.5	430.8
April	436.9	438.0	434.3	434.2
June	440.5	441.0	437.5	437.9
Aug	471.5	—	—	648.2
Oct	448.3	446.0	446.0	445.8
Dec	452.4	453.0	448.8	449.9
Feb	457.0	457.5	455.2	454.5
April	461.7	459.0	459.0	459.2
June	466.5	465.0	462.0	464.0

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Oct	41.25	41.85	41.00	41.19
Nov	42.50	43.25	42.50	42.49
Dec	43.95	44.60	40.15	43.91
Jan	45.00	45.40	44.90	44.76
Feb	45.45	45.80	45.25	45.06
March	43.00	43.20	43.00	42.60
April	41.40	41.80	41.40	40.90
May	40.10	40.10	40.10	39.68
June	40.00	—	—	39.23

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
Nov	105.70	107.90	102.85	107.20
Jan	107.00	108.80	107.00	107.95
March	107.70	108.90	107.50	108.45
May	108.25	109.30	108.25	109.10
July	108.95	109.75	108.75	109.75
Sept	109.80	—	—	110.50
Nov	110.40	—	—	110.00
Jan	110.80	—	—	100.25

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	548.1	561.5	541.0	541.8
Jan	554.1	567.0	548.0	537.5
April	558.6	570.5	551.0	565.5
July	562.6	573.0	557.0	565.5
Oct	567.1	577.0	560.0	570.0
Jan	571.1	—	—	574.0

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Oct	556.9	559.5	552.0	549.9
Nov	559.5	—	—	555.0
Dec	562.5	566.0	554.5	556.5
Jan	565.4	562.0	562.0	558.4
March	570.9	574.5	563.5	563.9
May	576.8	580.5	571.0	569.8
July	582.9	580.5	571.0	589.8
Sept	589.4	589.0	584.0	582.4
Dec	599.3	604.0	594.0	592.3
Jan	602.9	—	—	595.9

SUGAR WORLD "11" 112,000 lbs, cents/lbs

	Close	High	Low	Prev
Oct	5.02	5.05	4.52	4.64
Jan	5.70	5.85	5.42	5.43
March	6.28	6.45	5.92	5.97
May	6.48	6.67	6.20	6.22
July	6.62	6.75	6.38	6.43
Oct	6.87	7.05	6.63	6.68
Jan	7.10	—	—	—

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	59.92	60.80	59.80	60.87
Dec	56.20	57.40	56.15	57.40
Feb	55.75	56.75	55.70	56.65
April	56.95	57.75	56.90	57.75
June	56.82	57.60	56.65	57.72
August	55.40	55.95	55.40	55.90
Oct	54.30	54.90	54.15	54.90

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Oct	52.10	52.65	51.90	51.85
Dec	51.60	52.45	51.35	51.95
Feb	50.50	51.65	50.40	51.37
April	45.50	46.55	45.55	46.30
June	48.25	49.20	48.25	48.87
July	48.15	48.80	48.02	48.70
August	46.65	47.60	46.55	47.20
Oct	43.80	43.80	43.50	44.10
Dec	43.90	—	43.90	44.00

MAIZE 5,000 bu min, cents/56 lb-bushel

	Close	High	Low	Prev
Dec	178.6	181.4	178.0	179.0
March	186.6	190.0	186.0	188.0
May	191.4	193.4	190.4	192.0
July	192.2	194.0	191.6	192.0
Sept	189.4	190.4	188.0	188.4
Dec	193.4	194.4	192.4	192.6
March	200.6	202.0	200.4	199.4

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	67.75	69.50	67.62	68.90
March	66.62	68.50	66.55	67.80
May	66.45	68.25	66.37	67.65
July	65.57	67.45	65.45	66.75
August	62.97	65.00	62.85	64.65

SOYABEANS 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Nov	488.4	495.0	488.0	490.0
Jan	494.2	501.0	494.0	497.4
March	502.2	509.0	502.0	506.4
May	508.4	514.4	508.4	512.0
July	510.8	517.0	510.6	514.0
August	511.0	514.0	510.4	513.2
Sept	506.4	509.4	505.4	508.0
Nov	508.2	512.4	508.0	510.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Oct	151.0	152.8	151.0	151.8
Dec	152.1	153.8	152.0	152.8
Jan	152.7	154.5	152.6	153.6
March	153.9	156.0	153.8	154.6
May	155.0	157.0	154.8	155.7
July	155.3	156.0	155.2	156.5
August	156.0	156.0	155.1	156.7
Sept	154.0	157.5	154.0	155.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Oct	14.27	14.35	14.22	14.14
Dec	14.84	14.90	14.78	14.74
Jan	14.97	15.03	14.94	14.87
March	15.20	15.30	15.18	15.20
May	15.43	15.48	15.40	15.35
July	15.60	15.65	15.60	15.49
August	15.60	15.60	15.60	15.50
Sept	15.62	—	—	15.52
Oct	15.62	—	—	15.62

WHEAT 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Dec	265.2	270.4	265.0	267.6
March	257.4	264.0	257.0	261.6
May	244.2	250.0	244.0	246.6
July	235.4	241.0	236.4	238.4
Sept	237.0	—	—	240.4

SPOT PRICES—Chicago loose lard 15.00 (same) cent per pound. Hardy and Harman silver bullion 557.5 (559.5) cents per troy ounce.

E£†CJ/'SCMFWYP

POTATOES

A technical correction following Monday's heavy fall in prices, talk of a change in the weather for the weekend and nervous speculation over yesterday's PMB meeting resulted in a rapid recovery in values. April opened 70p down but was immediately bid higher, trading £6.00 up by midday. Although the PMB did not release any further information, the market held very steady after an initial £1.00 fall in the early afternoon and by the close was finding a good spread of buying interest to close at the day's highs, reports Coley and Harper.

Month	Yesterdays close £ per tonne	Previous close	Business done
Nov	109.50	108.60	110.80-108.50
Feb	121.50	120.00	—
Apr	174.40	168.70	174.60-168.00
May	190.50	184.50	189.00-188.86
Nov	86.00	90.00	—

Sales: 717 (1,381) lots of 40 tonnes.

OIL

Dubai traded around $13.30 for October and $13.75 for November. Brent traded thinly for November and December, mainly during the morning and at firmer prices. Afternoon trading was negligible and prices suffered slightly. November WTI opened 18c up on Nymex at $15.07 but was reluctant to rise further and traded at 15c up at 1.30 pm EDT. In the petroleum products market the Rotterdam function kept activity at a low level. Most prices strengthened on approaching winter demand and the possibility of an Opec agreement next week. Gasoline remained weak in thin trade —Petroleum Argus, London.

CRUDE OIL—FOB ($ per barrel)—Oct.	Latest	Change + or —
Arab Light	—	—
Arab Heavy	—	—
Dubai	13.60-13.70*	+0.15
Brent Blend	13.90-14.00	+0.20
W.T.I. (1pm est)	15.08-15.16*	+0.30
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—

PRODUCTS—North West Europe
Prompt delivery cif ($ per tonne)

Premium gasoline	157-160	—2
Gas Oil	118-121	+3.5
Heavy fuel oil	73-75	+1
Naphtha	117-120	+3.5

* November Petroleum Argus estimates.

GAS OIL FUTURES

Month	Yest'rdy's close US $ per tonne	+ or —	Business Done
Oct	121.50	+3.00	122.75-19.50
Nov	127.50	+2.25	128.75-26.50
Dec	132.25	+2.00	133.50-31.25
Jan	136.25	+2.25	136.75-34.25
Feb	135.25	+1.25	—
Mar	137.00	+2.80	—
Apr	122.50	+0.50	—

Turnover: 2,997 (1,362) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $121.00 (£83.50), down $3.00 (down £2.50) a tonne for October-November delivery. White sugar $173.00, down $5.00.

No. 6 Contract	Yest'rdy's close $ per tonne	Previous close	Business done
Oct	—	105.4-105.8	104.8-104.8
Dec	126.8-127.4	121.0-122.0	127.0-121.0
Mar	148.8-148.2	134.4-134.8	148.0-133.4
May	145.2-145.8	139.6-139.8	145.0-139.4
Aug	151.0-155.2	145.0-146.0	151.8-145.5
Oct	155.0-155.2	148.2-148.8	155.4-155.0
Dec	159.4-161.6	152.8-156.8	—

Sales: 4,906 (3,455) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £186.00 (£188.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for September 29: Daily price 4.66 (4.84); 15-day average 4.72 (4.70).

FREIGHT FUTURES

With no fresh physical news sellers entered the market to take profits but found poor buying interest. Stops were therefore touched and the market slid quickly to end on a weak note, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Oct.	804/806	811/800.5	826/827
Jan.	804/805	815/805	825/826
April	845/855	855/850	862/865
July	754/760	755	770/774
Oct.	845/870	—	882/885
Jan.	885/895	890	890/915
Apr.	945/950	—	950/980
July	855/960	—	960/980
BFI.	799.5	—	800

Turnover: 332 (260).

	Close	High/Low	Prev.
Tankers			
Sept.	—	—	900/950
Oct.	960/1050	—	1040/1090
Nov.	1070/1140	—	1110/1200
Dec.	1100/1150	—	1140/1210
Mar.	1060	—	1040/1120
June	1200	—	1070/1150
BTI.	907.5	—	949.5

Turnover: 0 (9).

EEC agrees to sign cocoa pact

EEC governments yesterday agreed to sign a new international pact designed to support flagging cocoa prices, Reuters reports.

The decision, reached after months of hard negotiation, averts fears of a collapse of the International Cocoa Agreement.

Six producer countries have signed the pact, accounting for 89.17 per cent of world exports,

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Support helps pound recover

STERLING RECOVERED all the ground lost so far this week in currency markets yesterday, helped by central bank intervention. Both the West German Bundesbank and the Bank of England bought sterling, probably in modest amounts but enough to arrest Monday's slide to record lows. The dollar's relative stability was also a contributory factor.

The pound's exchange rate index opened sharply firmer at 68.7 up from 68.2 on Monday and improved to close at 69.0. Comments by Mr Nigel Lawson, Chancellor of the Exchequer, speaking in Washington had little overall effect but dealers noted that he stressed that the time was not yet appropriate for sterling's participation in the EMS exchange rate mechanism. Sterling's recovery enabled domestic interest rates to decline but there was still a good degree of uncertainty about the authorities ability to avoid a rise in clearing bank base rates.

The pound closed at DM 2.9325 up from DM 2.9025 and $1.4470 compared with $1.4335. It was also higher against the yen at Y223.35 from Y220.25 and SFr2.3825 from SFr2.3525. Against the French franc it rose to FFr9.6125 from FFr9.5050.

The dollar finished slightly firmer overall after better than expected US trade figures. These showed a deficit in August of $13.3bn while the record $18bn deficit in July was revised downwards to $16bn. Most estimates for the August figures had been higher than $13bn and although this helped the dollar, there was insufficient demand to push it through DM 2.03 for anything more than a brief period. The mood of the market dictated that a satisfactory figure would leave the dollar unaffected while a bad figure would have provided sufficient incentive speculators to test central bank resolve.

US leading indicators were also released yesterday but these showed a fall of 0.2 per cent compared with expectations of a 0.3 per cent rise. Against this background and with the Bundesbank clearly willing to support the dollar, trading remained within a fairly narrow range. Against the D-mark the dollar closed at DM 2.0270 compared with DM 2.0250 on Monday and Y154.35 compared with Y153.60. Elsewhere it rose to SFr 1.6460 from SFr 1.6415 and FFr 6.6425 from FFr 6.6300. On Bank of England figures, the dollar's exchange rate index rose from 110.1 to 110.2.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9900. August average 2.0624. Exchange rate index 140.9 against 132.5 six months ago.

The D-mark traded very quietly during the morning in Frankfurt yesterday ahead of the release of US trade figures. Small intervention in the Far East by the Bundesbank to support the dollar had made speculators wary of trying to push the dollar lower. A deficit of $13.3bn was below the previous month's figure of a record $18bn and was on balance better than expected. However a fall of 0.2 per cent in US leading indicators contrasted with an expected rise of around 0.3 per cent and this inhibited the extent of a dollar rise. Earlier in the day it had been fixed at DM 2.0207 against DM 2.0272 without intervention by the Bundesbank. It closed at DM 2.0265 from DM 2.0260.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. August average 154.15. Exchange rate index 216.7 against 193.9 six months ago.

Trading was relatively subdued in Tokyo yesterday, partly because of the half year end and partly because there was little incentive to open fresh positions ahead of the release of US trade figures. The latter were seen as crucial in influencing market sentiment. The dollar closed at Y153.65 compared with Y153.55 in New York and Y153.65 in Tokyo on Monday. The West German Bundesbank was actively supporting the dollar but this failed to produce a rush to cover short positions. The latter is the force behind currencies responding to central bank activity since the volume of intervention is itself proportionately tiny to overall market turnover.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1199	43.3485	+0.54	+0.95	±1.5368
Danish Krone	7.81701	7.89441	+0.99	+1.40	±1.6403
German D-Mark	2.11083	2.09059	−0.96	−0.55	±1.1127
French Franc	6.87316	6.84577	−0.40	+0.01	±1.3659
Dutch Guilder	2.37833	2.36189	−0.69	−0.28	±1.5059
Irish Punt	0.764976	0.762944	−0.27	+0.14	±1.6683
Italian Lira	1476.95	1445.29	−2.14	−2.05	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Sept. 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4370-1.4560	1.4465-1.4475	0.59-0.56c pm	4.77	1.69-1.64 pm	4.60
Canada	1.9999-2.0110	2.0095-2.0105	0.48-0.38c pm	2.57	1.16-1.01 pm	2.16
Netherlands	3.29¾-3.32	3.31-3.32	1⅝-1½c pm	5.88	4⅞-4⅝pm	5.66
Belgium	60.52-60.94	60.80-60.90	22-17c pm	3.85	57-48 pm	3.45
Denmark	11.02¼-11.08¼	11.07¼-11.08¼	1-¼ ore pm	0.68	2⅛-1⅞ pm	0.81
Ireland	1.0615-1.0715	1.0695-1.0705	0.04pm-0.08pdis	−0.22	par-0.33 dis	−0.62
W. Germany	2.91⅞-2.93¾	2.92¾-2.93¾	1⅝-1½pf pm	6.39	4¼-4⅛pm	6.31
Portugal	212.19-214.82	212.85-214.45	57-117c dis	−4.90	193-340 dis	−5.00
Spain	192.43-193.43	192.82-193.10	22-53c dis	−2.33	53-99 dis	−1.58
Italy	2017¼-2032¼	2027½-2028½	1pm-4 lire dis	−0.89	1pm-4 dis	−0.30
Norway	10.60¾-10.68½	11.66¾-11.67¼	3-3⅝ore dis	−3.41	8⅝-9⅞ dis	−3.08
France	9.56-9.62¼	9.60¾-9.61¾	2⅞-1⅞c pm	2.34	7-6 pm	2.70
Sweden	9.95½-10.01½	9.99¾-10.00¼	1⅝-1¼ ore pm	1.72	2⅞-3⅞ pm	1.27
Japan	221.56-223.85	222.85-223.85	1¼-1y pm	6.04	3½-2¼ pm	5.15
Austria	20.53-20.66	20.62-20.65	10¼-9⅞gro pm	5.63	26⅞-22⅞ pm	4.75
Switzerland	2.36¾-2.38¾	2.37¾-2.38¾	1½-1¼c pm	6.93	4⅛-3⅞ pm	6.72

Belgian rate is for convertible francs. Financial franc 61.40-61.50. Six-month forward dollar 3.25-3.18c pm. 12-month 6.15-5.95c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

FINANCIAL FUTURES

Firmer pound boosts gilts

PRICES ROSE on the London International Financial Futures Exchange yesterday, as sterling improved on the foreign exchanges and US economic figures were on balance mainly encouraging from the markets 'point of view. Rumours were rife in the morning, including suggestions the UK was about to join the European Monetary System. News that Mr Nigel Lawson, Chancellor of the Exchequer, was to hold a press conference, increased market expectations of an early announcement, but this proved to be only a briefing for the press after the International Monetary Fund and Group of Seven meetings in Washington.

Long term gilts for December delivery opened firm at 109-20, and were bought on the strength of the cash market and the rumours about sterling's entry into the EMS, touching 111-00 by 11 am. The US statistics pushed the contract up to a peak of 111-24, before Mr Lawson's comments brought the price back down.

He said it was the Government's intention to join the EMS when the time was right, but that would not be immediately. On the other hand dealers suggested the failure of the contract to fall below 108-00, after closing at 108-19 on Monday, had led to covering of short positions, and helped to push the price up to 111-22 at the close.

Three-month sterling deposits touched a high of 89.43 for December delivery, but fell back to close at 89.10, as speculation increased that next week's UK money supply figures will show further sharp growth. Market forecasts suggest a rise of 2.5 to 3.5 per cent in sterling M3 during the mid-September banking month.

US Treasury bond futures for December rose to 95-12 from 94-14 and three-month Eurodollar deposit futures for the same month to 93.94 from 93.91. Dealers seemed divided about the impact of a lower than expected US August trade deficit of $13.3bn, but were generally pleased by an unexpected fall of 0.2 per cent in leading indicators.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Mar.	June	Sept.	Puts—Last Dec.	Mar.	June	Sept.
106	6.17	7.29	—	—	0.37	1.51	—	—
108	4.46	6.08	—	—	1.02	2.30	—	—
110	3.26	4.61	—	—	1.46	3.19	—	—
112	2.22	3.40	—	—	2.42	4.18	—	—
114	1.34	3.05	—	—	3.54	5.27	—	—
116	0.61	2.23	—	—	5.17	6.45	—	—
118	0.35	1.50	—	—	6.55	8.08	—	—
120	0.20	1.21	—	—	8.40	9.43	—	—

Estimated volume total, Calls 1,800 Puts 5,573
Previous day's open int, Calls 18,017 Puts 5,789

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Mar.	June	Sept	Puts—Last Dec.	Mar	June	Sept
88	7.42	8.06	—	—	0.18	1.40	—	—
90	5.61	6.47	—	—	0.37	2.17	—	—
92	4.28	5.33	—	—	1.04	3.08	—	—
94	3.10	4.28	—	—	1.50	3.62	—	—
96	2.08	3.34	—	—	2.48	5.04	—	—
98	1.23	2.48	—	—	3.63	6.18	—	—
100	0.53	2.08	—	—	5.29	7.42	—	—
102	0.30	1.39	—	—	7.06	9.09	—	—

Estimated volume total, Calls 0, Puts 47
Previous day's open int, Calls 514 Puts 831

MONEY MARKETS

London rates ease as pound recovers

INTERVENTION BY the West German Bundesbank to support sterling on the foreign exchanges added to the general suggestion that European central banks are prepared to prevent disorderly movements of currencies. The pound improved, and London interest rates moved lower yesterday, on speculation that European central banks reached agreement on this subject at the meeting of finance ministers and central bank governors in Washington.

UK clearing bank base lending rate 10 per cent since May 22.

Three-month interbank fell to 10$\frac{13}{16}$-10$\frac{11}{16}$ per cent from 11$\frac{3}{16}$-11$\frac{1}{16}$ per cent, following the news of support for sterling and further early intervention by the Bank of England on the London money market. The authorities gave an early round of help, buying bills at unchanged rates.

The Bank of England initially forecast a money market shortage of £850m, but revised this to £900m at noon, and provided total help on the day of £963m.

The authorities offered an early round of assistance, and at that time bought £390m bills outright, by way of £23m bank bills in band 2 at 9$\frac{13}{16}$ per cent; £30m bank bills in band 3 at 9¾ per cent; £1m Treasury bills in band 4 at 9$\frac{11}{16}$ per cent; £24m local authority bills in band 4 at 9$\frac{11}{16}$ per cent; and £312m bank bills in band 4 at 9$\frac{11}{16}$ per cent.

Before lunch the Bank of England purchased another £240m bills, through £31m bank bills in band 2 at 9$\frac{13}{16}$ per cent; £9m bank bills in band 3 at 9¾ per cent; and £200m bank bills in band 4 at 9$\frac{11}{16}$ per cent.

In the afternoon the authorities bought £288m bills, by way of £5m bank bills in band 1 at 9⅞ per cent and £283m bank bills in band 2 at 9$\frac{13}{16}$ per cent.

Late assistance of around £45m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £774m. This outweighed Exchequer transactions adding £40m to liquidity, a fall in the note circulation of £50m and bank balances above target by £30m.

FINANCIAL TIMES
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INTERNATIONAL & BRITISH EDITORIAL, ADVERTISEMENT & CIRCULATION OFFICES

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	1986 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
102	100	Exch 14pc 1986	100	—	—	—
99	94	Exch. 2½pc 1986	98	—	2.55	10.19
102	100	Exch. 13¼pc 1987	100	+	13.17	10.70
100	97	Treas 10½pcCv '87	99	+	10.28	10.70
97	92	Exch 2½pc 1987	97	+	2.56	8.92
101	97	Exch. 10½pc 1987	99	+	10.53	11.06
98	93	Funding 6½pc 85-87	98	+	6.62	10.01
101	96	Treas. 10pc 1987	99	+	10.08	11.04
97	90	Treas 3pc 1987	95	+	3.13	8.68
104	99	Treas. 12pc 1987	100	+	11.89	11.52
99	92	Treas 7¾pc 1985-88‡‡	96	+	8.02	10.48
104	96	Exch 10½pc '88	98	+	10.65	11.42
102	95	Treas 9¾pc Cv '88	97	+	9.97	11.27
94	86	Transport 3pc '78-88	90	+	3.31	8.89
102	93	Treas. 9½pc '88	96	+	9.81	11.26
107	98	Treas 11½pc 1989	100	+	11.47	11.34
103	93	Treas 9½pc Cnv 1989	96	+	9.87	11.25
92	82	Treas 3pc 1989	86	—	3.44	8.58
105	95	Treas 10½pc 1989	98	+	10.71	11.34
104	94	Exch 10pc 1989	96	+	10.34	11.73
107	97	Exch 11pc 1989	99	+	11.08	11.29
93	84	Treas 5pc 1986-89	88	+	5.66	9.50
110	94	Exch 10¼pcCv '89	100	+1	10.15	9.83
114	103	Treas 13pc 1990‡‡	104	+1	12.44	11.28
108	97	Exch 11pc 1990‡‡	99	+	11.07	11.22
113	101	Exch. 12½pc 1990	103	+1	12.06	11.22
89	79	Treas. 3pc 1990	82	+	3.62	8.62
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

INVESTMENT TRUSTS—Cont.

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

MINES

MINES—Continued

INSURANCES

LEISURE

NOTES

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	58xd	.....	Fin. 13% 97/02	£104¾	.....
Craig & Rose £1	£13½	.....	Arnotts	265	+15
Finlay Pkg. 5p	47xd	.....	CPI Hldgs	43	.....
Holt (Jos) 25p	810xd	.....	Carroll Inds.	111	.....
Toll Sun. £1	75	.....	Dublin Gas	30	.....
			Hall (R. & H.)	88	.....
IRISH			Heiton Hldgs.	29	.....
Fund 11¼% 1988	£99½xd	−⅛	Irish Ropes	92½xd	.....
Nat. 9¾% 84/89	£94¼	−½	Unidare	231	.....

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Sept 15	Sept 25	Sept 26	Oct 6
Sept 29	Oct 9	Oct 10	Oct 20
Oct 11	Oct 23	Oct 24	Nov 3

*"New-time" dealings may take place from 9.30 am two business days earlier.

Sharp recovery in sterling calms concern over interest rates and inspires good market rally

The evident determination of the UK authorities to resist the pressures on sterling without recourse to an increase in domestic interest rates inspired a widespread recovery in bond and equity prices in London.

With the pound sharply better and London's three-month inter-bank rate safely below 11 per cent again, securities markets moved ahead from a firm opening. By the close, Government bonds had put on more than two points, quickly recovering the day's best levels after momentary disappointment when the Chancellor of the Exchequer poured cold water over rumours that Britain was about to announce entry into the European Monetary System (EMS). At 82.89, the FT Government Securities Index was 1.14 higher.

Blue chip stocks responded vigorously to the upswing in the gilt edged market, but ended a shade below the day's peaks. The FT-SE 100 Index closed 16.6 points up at 1555.8, and the FT Ordinary Share Index 14.4 up at 1227.0.

While bear closing played a role in the recovery of both markets, there was also some genuine investment demands for gilts and equities from UK institutions. Yields at the long end of the gilt market were "just too attractive to miss," as one dealer put it.

Gilts were in good form throughout the morning, showing gains of 2¼ points at midday when rumours in the LIFFE market that EMS entry would be announced shortly were followed by news that the Chancellor would make a statement in Washington.

But gains were trimmed by half a point after Mr Nigel Lawson dashed the more speculative hopes by announcing that the UK had no intention of joining the EMS "today" — his choice of vocabulary amusing the City which was given similarly-phrased comments on interest rates on Monday from the Governor of the Bank of England.

However, London markets have by no means entirely dismised the chances of an early into the EMS, or of a hike in interest rates by the UK authorities.

The final hour of trading saw gilt-edged stocks moving forward again, helped by firmness in New York following a favourable reception for the latest US trade deficit figures and leading economic indicators.

In the equity market, stock in the UK multinationals had a successful session. Glaxo, Beecham and ICI, which have all suffered recently from US selling pressure, attracted buyers from the home team. ICI, in particular, began to shake off the effects of a "sell" circular from a London broker. Among more speculative issues, Grand Metropolitan remained supported, and Saatchi and Saatchi began to recover from the recent selling bout.

Morgan Grenfell sold

Morgan Grenfell remained friendless ahead of next Monday's interim results and fell 10 further to a new low of 393p; the shares stand 107 below last July's striking price. Elsewhere in merchant banks, Hambros attracted renewed speculative support in a market short of stock and closed 8 higher at 236p. The clearing banks staged a small technical rally, but failed to hold the best levels of the day. Lloyds hardened a few pence to 412p, after 415p, while Standard Chartered advanced 8 to 692p.

GRE, 7 up at 769p, led a modest rally by Composite Insurances. Commercial Union moved up 3 to 288p as did General Accident, to 792p, while Sun Alliance hardened a couple of pence to 644p.

Breweries went better across the board. Allied-Lyons put on 4 to 300p, while Whitbread A closed a few pence better at 246p. Regionals again highlighted Welsh concern Buckleys whch attracted further option business and put on 6 more to 124p; J. A. Devenish and Kennedy Brookes were again mentioned as likely suitors.

Heavily sold on Monday when short-term interest rates indicated a probable hike in bank base rates, Building issues staged a good rally as the pressures for dearer credit eased significantly. Rugby Portland Cement picked up to close 2½ firmer at 156p following a favourable Press on the better-than-expected mid-term profits and increased dividend. Blue Circle, still the subject of considerable speculation that the group is being stalked by Australian group Adelaide Steamship, improved a similar amount to 558p.

Construction stocks made rapid progress and were highlighted by Costain Group, up 14 at 506p, while Tarmac added 8 at 420p. John Mowlem, depressed on Monday by the announcement that Trafalgar House had won the new Thames Bridge contract, attracted good support and rallied to close 6 firmer at 382p: Trafalgar House jumped 10 to 276p. Brick producers Nottingham Brick and Redland improved around 3 apiece to 196p and 419p respectively. Among housebuilders, Federated Housing staged a strong recovery after Monday's sell-off and regained 12 to 108p. Countryside, on the other hand, slipped 5 more to 458p. Helical Bar made further progress and ended the session a further 5 up at 270p for a two-day gain of 15.

Stock shortages boosted Amersham 10 to 420p in Chemicals, where ICI hardened to £10¾ before closing a shade firmer at £10⅝. Thurgar Bardex edged up a penny to 63p following the proposed rights issue to raise some £1.9m.

Retailers rally

The Bank of England's reluctance to sanction a rise in bank base rates ensured a firm start for leading Retailers. The sector, hit harder than most in the recent shake-out, displayed some noteworthy gains, although these owed a good deal to technical influences. Burton touched 280p before settling 6 up on balance at 278p, while Marks and Spencer closed 5 to the good at 192p, after 194p. Laura Ashley hardened the turn to 176p, after 178p, despite the maiden interim profits falling short of market estimates. Jacques Vert, however, revealed pleasing first-half figures and advanced a few pence to 178p, while further consideration of the mid-term statement left Frank Usher another couple of pence dearer at 98p. Suggestions of a possible "shell" operation prompted demand for S & U Stores, finally 6 higher at 47p; Electrical concern Suter holds a sizeable stake in the company. Interest was also noted in S. Casket, which closed 3 up at 56p on speculation concerning the disclosable stake in the company held by Kingsley and Forester.

A partly technical recovery by the Electrical majors left both GEC and Plessey 6 higher at 166p and 168p respectively. Cable and Wireless, unsettled of late by press comment, regained 5 to 282p following reports that the UK telecommunications group is to seek listings for its shares on the Hong Kong, Geneva, Zurich, Basle and Frankfurt exchanges. Racal hardened a couple of pence to 158p; the company revealed yesterday that it had signed a total of 50,000 subscribers for its vodafone cellular radio telephone service. Elsewhere, USM-quoted Memcom International jumped 14 to 32p as bid possibilities were raised following the announcement that 95 per cent of the new shares resulting from the rights issue had been left with underwriters. Mr Alan Sugar's Amstrad advanced 8 to 136p in anticipation of today's preliminary figures; brokers' estimates range from £72m and £75m for the full year. Revived takeover speculation lifted BSR 3 to 73p, after 75p, and speculative support in a thin market lifted Real Time Control 11 to 71p. NEI, on the other hand, plunged to 70p on the interim profits setback before rallying to finish a net 8 down at 80p. GKN, a notable casualty of late, rallied strongly to close 13 higher at 251p. Hawker, at 433p, retrieved 10 of Monday's fall of 24, but Vickers remained on offer at 380p, down 6. Elsewhere in Engineerings, Porter Chadburn reflected revived hopes of a bid from G. M. Firth and gained 20 to 328p, while Molins improved 5 to 176p, after 178p, following reports that the group had entered into a licensing agreement with General Motors to cover the use of its flexible manufacturing systems. Babcock International, in which New Zealand investment concern Fletcher Corporation recently acquired a 5 per cent stake, gained 4 more at 167p, while perennial takeover favourite Davy Corporation moved up 5 to 127p. Fife Indmar, on the other hand, lost 7 to 49p and Beauford slipped 6 to 55p.

Food retailers seemed reluctant to participate in the general recovery and displayed only modest gains. Argyll did best with a rise of 6 to 326p. Elsewhere in the sector Northern rallied 4 to 266p and Fitch Lovell were similarly better at 255p. Revived speculative support gave rise to bid talk in Bernard Matthews, up 5 at 228p, while Barker and Dobson hardened to 14¾p awaiting today's interim statement; small "call" option business was reported in the latter. J. E. England rose 4 to 50p.

Grand Metropolitan continued to figure prominently, gaining 5 further to 418p: the emphasis remained on recent stake-building exercises for developments in the Liggett sale negotiations are not expected yet. Ladbroke recovered 5 to 353p and USM-listed Crusts put on 5 to 95p, the latter following "call" option activity.

Ashley revive

Ashley Industrial Trust attracted a sudden flurry of speculative support on revived asset injection hopes and touched 51p initially before closing 7 better on balance at 48p. Pearson continued to attract investors in the wake of Hutchison Whampoa's recent acquisition of a 5 per cent stake in the company and closed a further 5 higher at 531p, while Wellcome firmed 5 more to 192p on hopes of news soon relating to its anti-AIDS drug. Polymark reflected the strong interim profits recovery and rationalisation details with a rise of 2½ at 16½p and Worcester also benefited from excellent first-half figures at 215p, up 7. Rallying movements of between 7 and 9 were seen in Associated British Ports, 280p, British Aerospace, 440p, English China Clays, 303p and Fisons, 558p. J. Hewitt gained 15 at 140p in a thin market and NMW Computers recovered 5 more at 270p. The miscellaneous industrial leaders responded to sterling's firmer showing and hopes that interest rates will remain at current levels and staged a useful technical rally. Glaxo closed 15 better at 930p and Pilkington 9 dearer at 430p, while Beecham put on 7 at 388p.

Motor Distributors featured BSG International which hardened 2 more to 48½p in anticipation of the interim figures due today. Lex Service, on the other hand, encountered occasional offerings and closed a few pence off at 314p. Appleyard eased 2 to 136p ex-rights issue; the new nil-paid were quoted at 10p premium. Components staged a useful recovery. Lucas, 488p, and Dowty, 192p, rallied 8 and 6 respectively, while AE, still lively in the wake of the furore surrounding the "fan-club" which helped the company fight off the hostile offer from Turner and Newall, rose 4 to 211p. Kwik-Fit met scattered profit-taking after the interim figures and eased 3 to 121p, but acquisition news lifted Aerospace Engineering 2 to 69p.

Advertising agencies continued to attract a fair measure of attention. Saatchi and Saatchi, an extremely nervous market of late, rose 10 to 580p on the view that a recovery was overdue; Saatchi shares have fallen sharply during September reflecting worries over US billings and the resignation of Ted Bates' chairman and chief executive Mr Robert Jacoby. Press-inspired takeover speculation stimulated further support of London and Continental Advertising, finally 6 up at 86p, after 90p—a two-day advance of 19. Buyers also showed renewed affection for Geers Gross, 5 up at 70p, and Abbot Mead Vickers, 10 to the good at 213p. Expansion prospects lifted WPP 15 more to 585p. The respective interim and preliminary results left Shandwick 5 off at 345p, but Davidson Pearce 2 up at 145p. Paper/Printings traded in subdued fashion. Hunterprint hardened a few pence to 263p following details of the proposed acquisition of Security Holdings for £3.46m in shares and cash.

Awaiting the outcome of an investment seminar held by broker Rowe and Pitman, MEPC edged forward to 313p before closing unchanged at 310p. Other Property leaders were also unaltered with Capital and Counties at 235p despite news of the US expansion; it has acquired the outstanding equity in Westamerica Properties which becomes a wholly-owned subsidiary. Percy Bilton, up 14 at 284p, benefited as the pressures for higher interest rates lessened, while Egerton Trust hardened a penny more for a two-day rise of 15 to 58p. Publicity given to a circular from broker Scrimgeour Vickers helped Regalian rise 5 to 320p.

An otherwise lacklustre session among Financials was enlivened by Amalgamated Financial which responded to revived bid speculation with a gain of 6 to 39p; the shares rose sharply in August following news that Australian investment banking and financial concern HDFI had acquired almost 26 per cent of the equity.

Oils gain ground

The Iranian oil minister's forecast that crude oil prices could top $19 per barrel by the end of the year and a firm performance by oil prices in New York overnight and London yesterday, produced widespread gains throughout leading oils. BP jumped 11 to 668p, after 688p, and were additionally boosted by confirmation that the company is seeking a listing on the Tokyo stock market. Shell rose 11 to 908p, and Royal Dutch edged up ¼ to £61. Britoil, a weak market over the past week or so following a leading broker's "sell" recommendation, picked up strongly to close 7 higher at 129p. Other firm features in the sector included Ultramar, where New Zealand's Rainbow Corporation is rumoured to have picked up a near 5 per cent stake in the company and IEP holds 13.2 per cent, which settled 8 to the good at 148p. IC Gas were quoted at a year's best of 515p by one trader ahead of confirmation that Mr Michael Rendle, formerly managing director of BP, has been appointed deputy chairman, but later eased back to close a net 6 firmer at 506p. Charterhall performed well among second-liners and put on 2 to 30½p on Australian support.

Mining markets moved lower again yesterday with South African Gold and related issues under pressure for the sixth successive session. Bullion dropped $4.875 more to $423.625, having slipped to around $421 during the morning while Platinum mirrored a sharp decline in New York and fell to $540 at one point before steadying to around $544 in afternoon trading in London.

The Gold Mines index fell 4.8 more to 319.0 a fall of 38.8 since a week ago.

Traded Options

Proceedings in Traded Options again centred on the FT-SE 100 index contract which attracted 1,031 calls and 2,263 puts following substantial hedging operations. Interest also revived for Boots positions, which contributed 1,269 calls and 436 puts. Total contracts transacted amounted to 20,056.

Dealings in TSB traded options will commence from the first day of trading in the underlying shares, expected to be October 10.

Traditional Options

- **First Dealings** Sept 22 Oct 6 Oct 20
- **Last Dealings** Oct 3 Oct 17 Oct 31
- **Last Declaration** Dec 18 Jan 8 Jan 22
- **For Settlement** Dec 29 Jan 19 Feb 2

For rate indications see end of Unit Trust Service

Call options were taken out in Vickers, BSR International, Hanson Trust, Prestwich, GEC, Pennine Resources, St Modwen, Silentnight, Armour Trust, Accord Publications, North Kalgurli, Crusts, Conroy Petroleum, S. R. Gent, Aberdeen Steak Houses, Blue Circle Industries, Raglan Property Trust, Amstrad, Allebone, British Benzol, Laura Ashley, Barker and Dobson, Pentland, Sears, Barrie Investment and Finance, Sound Diffusion, Grand Metropolitan, Hestair, Tarmac, Edinburg Oil and Gas, Abaco Investments, Buckleys Brewery, Argyle Trust and Glanfield Lawrence. Puts were struck in Buckleys Brewery and Fairline Boats, while double options were transacted in Abaco, Energy Capital and Premier Oil.

FINANCIAL TIMES STOCK INDICES

	Sept 30	Sept 29	Sept 26	Sept 25	Sept 24	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	82.89	81.75	83.39	83.06	83.35	83.96	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.18	89.96	90.44	90.68	90.92	89.62	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,227.0	1,212.6	1,238.4	1,242.3	1,264.5	1,004.8	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	319.0	323.8	328.3	336.2	339.1	290.2	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.52	4.56	4.46	4.45	4.38	4.75				
Earnings Yld.% (full)	10.37	10.47	10.26	10.23	10.07	11.62				
P/E Ratio (net) (*)	11.83	11.71	11.95	11.98	12.18	10.66				
Total Bargains (Est.)	20,720	21,631	21,638	20,860	21,034	21,426				
Equity Turnover £m.	—	552.41	746.28	527.31	487.36	370.05				
Equity Bargains	—	16,903	22,839	18,003	17,114	17,991				
Shares Traded (ml).	—	252.6	348.0	241.7	223.4	189.3				

S.E. ACTIVITY

Indices	Sept. 29	Sept. 26
Gilt Edged Bargains	103.3	118.5
Equity Bargains	109.5	148.0
Equity Value	1116.6	1508.4
5-Day Average		
Gilt Edged Bargains	124.2	123.1
Equity Bargains	124.6	119.2
Equity Value	1147.6	1076.9

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1215.7	1221.3	1223.7	1226.8	1231.2	1232.7	1228.1	1217.4

Day's High 1233.2. Day's Low 1215.7.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.36.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Allied Lyons	300	+4	ICI	£10⅝	—
Barclays	464	—	Memcom Int	32	+14
Blue Circle	558	+3	NatWest Bank	512	—
GKN	251	+13	Quest Automation	40	—
Harris Queensway	210	+13	Sears	111	+2
Hawker Siddeley	433	+10	Standard Chart	694	+10

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon's. close	Day's change	Stock	No. of changes	Mon's. close	Day's change
ICI	20	£10⅝	− ¼	Rugby Portland	13	153½	− 1½
Hawker Siddeley	18	423	−24	Tarmac	13	412xd	−17½
Glaxo	15	915	−20	Cable & Wire	12	227	−13
Bunzl Inds	13	183xd	+13	Cons. Gold Flds	12	572xd	+11
Bass	13	685	−18	Prudential	12	784xd	− 8
NatWest Bank	13	512	−20	Rank Org	12	467	−16

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	111	0	2
Corporations, Dom., and Foreign Bonds	22	6	41
Industrials	336	352	836
Financial & Properties	84	187	305
Oils	33	16	63
Plantations	5	3	6
Mines	28	88	69
Others	22	109	60
Totals	641	761	1,382

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (35)

CANADIANS (1) Golden Sceptre, Res Banco de Santander; BANKS (2) HK & Shanghai Banking; BREWERS (3) Buckley's Brewery, Invergordon Distillers, Ruddle (G.), BUILDINGS (1) Aberdeen Construction STORES (3) Casket (S.), Dunhill Hldgs, Se U Stores; ELECTRICALS (1) Real Time Control, ENGINEERING (2) Hampson Inds, Porter Chadburn; INDUSTRIALS (3) Hewitt (J.), Restmor, West Yorks Hospital; LEISURE (2) Leisure Inv...

...ERS (1) Highland Distilleries; BUILDINGS (1) Dunton Group; CHEMICALS (1) Morceau; STORES (3) Prontaprint, Smallbone, Stormgard; ELECTRICALS (9) Blick, Dubilier, Klark-Teknik, NEI, Process Systems, Racal Elects 7pc Cnv 2009-14, Sarasota Tech, United Leasing, Whitworth Elect; ENGINEERING (5) Davies & Metcalfe A, Delta Group, Fife Indmar, Hall (Matthew), Hallite; FOODS (1) Callen's Hldgs; INDUSTRIALS (7) ...

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday September 30 1986

FIXED INTEREST

LONDON TRADED OPTIONS

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

WORLD STOCK MARKETS

AUSTRIA | GERMANY | NORWAY | AUSTRALIA (continued) | JAPAN (continued)

BELGIUM/LUXEMBOURG | SPAIN | SWEDEN | HONG KONG | DENMARK | ITALY | SWITZERLAND | JAPAN | SINGAPORE | FRANCE | NETHERLANDS | AUSTRALIA | SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices September 30

[illegible]

F—No voting rights or restricted voting rights.

Total Sales 4,105,010 shares

MONTREAL

Closing prices September 30

[illegible]

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

NYSE-Consolidated 1500 Actives

TORONTO

[illegible]

** Saturday September 27: Japan Nikkei 18,181.2. TSE 1529.81.

Base values of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

[illegible]

LONDON Chief price changes (in pence unless otherwise indicated)

RISES			
Ex 10¼% Cnv 89	£101 + 1½	Hawker Sid	433 + 10
Tr 12¼ '03-05	£114¾ + 2¾	Imp Con. Gas	506 + 6
Tr 2½ IL '16 A	£93¼ + ¾	LCA Hldgs	86 + 6
Am Fin Invs	30 + 6	Marks & S	193 + 5
Amstrad	136 + 8	Mamcom Intl	32 + 14
Ashley Ind	48 + 7	Plessey	168 + 6
Beecham	388 + 7	Polymark Int	16½ + 2½
BP	668 + 11	Porter Ch	328 + 20
Britoil	120 + 7	S&U Stores	47 + 8
Conroy	178 + 10	Saatchi	580 + 10
GKN	251 + 13	Ultramar	148 + 8
GEC	166 + 6	Worcester	215 + 7
Glaxo	939 + 15	FALLS	
Hambros	238 + 7	Morgan Gren	393 − 10
		NEI	80 − 8

Bergesen's managers increase shareholding

BY FAY GJESTER IN OSLO

BERGESEN'S joint general managers are taking up their option to buy the 49.7 per cent of the Norwegian shipping group's share capital hitherto held by other family members but 12 days ago provisionally sold to Kosmos, a rival shipping group, for NKr 1.17bn ($159m).

Until recently, Bergesen was owned mainly by two Norwegian families – Bergesen and Sundt.

The two general managers, Mr Morten Bergesen and Mr Petter Sundt, have thereby staved off a takeover by Kosmos. Between them they now own nearly 80 per cent of the company's shares. They have indicated they plan to resell part of their holding, probably in moderately sized lots – and that some may go to foreign buyers, who are interested in the company because of its sizable tanker fleet. They could well end up making a profit on the transaction, despite interest costs on the funds they have had to borrow to finance it.

When the provisional acquisition was announced on September 19, it was revealed that a family pact gave Mr Sundt and Mr Bergesen – who are cousins – first right to buy any shares sold by their relations, provided the option was exercised within a fortnight.

According to Mr Sundt, the necessary finance was provided by Den norske Creditbank (DnC), Norway's largest commercial bank. Bergesen is the largest single shareholder in DnC.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13¾	AAR s	.44	2.0	16	235	21¾	21¼	21⅝	+¼
30	21¾	ADT	.92	3.7		80	25	24½	24¾	
33	11½	AFG s	.08i	.3	15	397	27⅜	27	27	−½
25⅜	13¾	AGS			13	11	18⅝	18⅝	18⅝	
15	9⅞	AMCA			250	26	10¼	10	10	−⅛
60⅝	37½	AMR			14	7249	57⅛	56	56¾	+1
24	19¼	ANR pf	2.12	9.2		1	23	23	23	+½
13⅛	8⅝	APL			7	19	13	12⅞	12⅞	−¼
16⅝	10	ARX	.71t	6.8	10	216	10¾	10½	10¾	−⅛
41½	26⅜	ASA	2a	5.3		930	38	37⅝	38	+⅛
18⅝	9¾	AVX		3.0		173	10¾	10	10⅝	+⅜
32	22¾	AZP	2.72	9.3	8	948	29⅜	28¾	29⅛	+⅜
55	26⅜	AbtLb s	.84	2.0	19	5211	42⅝	41⅞	41⅞	+⅛
32	19¾	AccoWd	.56	2.2	17	118	25¾	25¼	25⅝	+⅜
14⅞	9	AcmeC	.40	4.1		29	10	9¾	9⅞	
9¼	6¼	AcmeE	.32b	4.8	14	3	6⅝	6⅝	6⅝	−¼
22⅜	17	AdaEx	1.90e	9.6		92	20	19¾	19⅞	
33⅜	17	AdrpMl	.40	1.7	10	59	23⅞	23¼	23¼	−⅝
20⅜	13	AdvSys	.83t	6.3	12	79	13¼	13⅛	13⅛	
32⅞	14⅛	AMD				3233	16¼	15½	15¾	+⅛
12⅝	6⅝	Adobe n				38	6⅞	6⅝	6⅝	−⅛
18⅝	13¾	Adob pf	1.84	12.		15	15¼	15	15¼	+¼
20¼	15¼	Adob pf	2.40	13.		10	17⅞	17¾	17⅞	+¼
18⅝	7⅝	Advest	.12a	.9	10	839	13⅛	12¾	13	+⅛
66¼	43¼	AetnLf	2.64	4.6	10	2945	57⅞	57	57⅜	+¼
56½	51½	AetL pf	4.89e	8.9		1	52⅞	52⅞	52⅞	
28¾	9⅞	Ahmans	.46	2.1	7	4296	21¾	20⅝	21¾	+1½
5¾	2⅝	Aileen			46	70	3¼	3⅛	3¼	
[illegible]										

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
72¼	45¾	Xerox	3	5.8	16	4032	52⅝	51⅝	51½	+⅛
58¼	54	Xerox pf5.45		9.7		54	56⅛	55¾	55⅞	
28¾	20⅝	XTRA	.64	2.7		58	23¾	23½	23⅝	−⅛
17⅝	13½	Yorkin n				88	16½	16¼	16¼	
39	27	ZaleCp 1.40		4.1		9	34½	34⅜	34⅜	−⅝
9½	3¼	Zapata .03j				198	3½	3⅜	3½	+⅛
43⅞	23½	Zayre s .32		1.3	16	1550	24⅞	24⅝	24⅝	−⅛
17	9¾	Zemex	.40	3.9	11	6	10⅝	10⅜	10⅜	
29⅞	16¼	ZenithE				483	20	19⅞	19⅞	−⅛
18¼	8	ZenLb s			12	737	9⅛	8⅞	8⅞	−¼
22⅝	13¾	Zero s	.28	2.1	14	47	14	d13⅝	13¾	−¼
45¾	32¾	Zurnin 1.32		3.7	13	141	35¾	35⅛	35¼	
10⅝	10	Zweig n				2133	10¼	10⅛	10¼	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Encouraged by data on economy

ENCOURAGING trade figures and other economic data prompted a strong upturn in Wall Street bond and stock markets yesterday, *writes Roderick Oram in New York.*

Trading was brisker than in recent days as investors shook off their disappointment about the stalemated economic summit in Washington last weekend. Profit taking in the last hour, however, eroded gains on stock markets.

The Dow Jones Industrial Average of blue chip stocks closed 12.38 points higher at 1,767.58. The New York Stock Exchange composite index rose 0.83 to 133.44 with 995 issues advancing and 445 unchanged as 125.72m shares changed hands.

The Dow Industrial had been almost 30 points higher by early afternoon before losing ground. Some blue chips closed well down from their intra-day highs. IBM, for example, was up more than $1 but closed up only $¼ at $134½. Alcoa closed $⅜ higher at $37, AT&T ended $⅛ ahead at $23 and Minnesota Mining and Manufacturing gained $⅞ at $100⅞.

The Dow Jones Transportation index continued its strong growth closing up 10.62 at 800.25 with air lines joining the advance led by Federal Express on Monday. Delta was ahead $⅞ to $43⅞, United was up $⅛ to $56⅛ and American gained $1 to $56⅞.

Federal Express rose another $1⅛ to $65⅞ on top of Monday's $8⅛ to $63⅞ following its withdrawal from its ZapMail facsimile transmission venture.

"Transportation stocks are among the most economically sensitive," said Mr Newton Zinder of E. F. Hutton so the index rise indicates that the market believes economic activity is picking up.

Syntex was the most actively traded NYSE share falling $1⅜ to $54⅜. The company said a regulatory committee studying its application for marketing approval for Nicarditine, a new angina drug, had asked for more information.

On the takeover front, Allied Stores was unchanged at $63⅝ on heavy trading. Late Monday Campeau raised its offer to $66 a share.

Class A shares of Resorts International, a casino operator, gained $3 to $50 and Class B shares rose $6 to $99. Pratt Hotel said it would not extend its takeover offer beyond yesterday's closing date.

In the retail sector two major groups announced disposals. Dayton-Hudson rose $⅛ to $43 after it said it was selling its B. Dalton bookstores. Kroger eased $⅜ to $62 on news it was selling its retail drug operations equal to some 6.5 per cent of sales.

Wal-Mart, a leading retailer, put on $⅝ to $42 following plans to build hypermarkets in partnership with Cullum Companies, which jumped $2⅞ to $22⅞ on the over-the-counter market.

Merrill Lynch fell $1⅛ to $35⅞ after Monday's announcement it was selling its real estate operations for about $500m to concentrate on its core securities business. This was taken by the market as a blow to the concept of "Financial supermarkets" although among other groups attempting the same strategy of broad services American Express rose $2 to $56⅛ and Sears gained $⅝ to $39⅞.

Southland Financial, which said it was considering a merger or sale of the company, gained $1⅛ to $28.

Navistar, formerly International Harvester, eased $⅛ to $7⅞ after it said fourth quarter profits would be "substantially lower" than the year earlier 21 cents a share.

Ford Motor was among the most active shares gaining $1⅛ to $53 partly because of growing belief the board will raise the dividend when it meets October 9.

Fieldcrest Cannon, the major textiles group created by a merger in January, was up $⅞ at $66 after it announced a recapitalisation which it hopes will help it raise more funds.

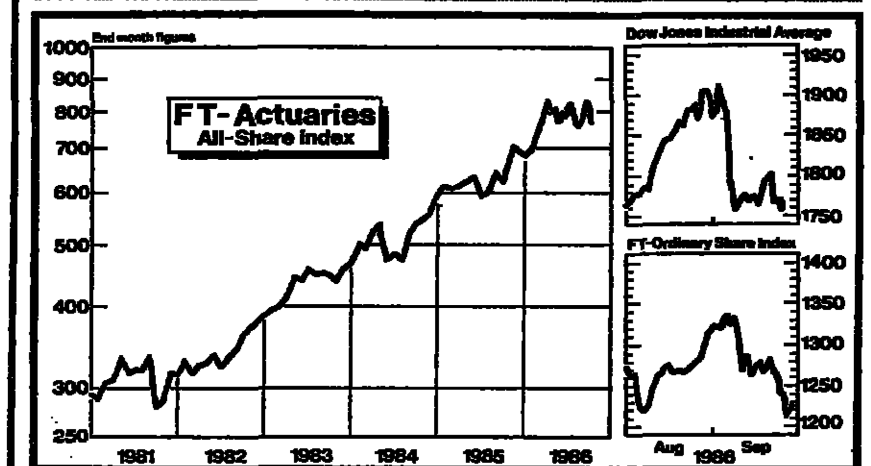
The foreign exchange and bond markets took heart from the $13.3bn US trade deficit in August, down somewhat more than expected from a revised $16.05bn in July.

Bond prices rose steadily through the session leaving the benchmark 7.25 per cent Treasury long bond due 2016 ahead one point at 95⅞ yielding 7.61 per cent.

Treasury bill yields fell sharply at the short end with the three month bills down 10 basis points at 5.21 per cent. Six month bills eased four basis points to 5.38 per cent and year bills were down six basis points at 5.50 per cent.

The Federal Reserve arranged overnight system repurchases when the Fed funds rate stood at 7 per cent. It ended the day at 6⅜ per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Sept. 30	Previous	Year ago
NEW YORK			
DJ Industrials	1,767.58	1,755.20	1,328.63
DJ Transport	800.25	789.63	640.57
DJ Utilities	199.71	198.84	150.29
S&P Composite	2,143.50	229.91	182.08
LONDON			
FT Ord	1,227.0	1,212.6	999.4
FT-SE 100	1,555.8	1,539.2	1,290.00
FT-A All-share	768.79	762.47	626.24
FT-A 500	844.76	835.90	687.98
FT Gold mines	319.0	323.8	297.7
FT-A Long gilt	10.37	10.59	–
TOKYO			
Nikkei	18,052.86	18,106.31	12,200.1
Tokyo SE	1,517.28	1,532.50	1,026.19
AUSTRALIA			
All Ord.	1,246.9	1,257.2	987.0
Metals & Mins.	627.5	638.5	513.8
AUSTRIA			
Credit Aktien	237.49	237.49	n/a
BELGIUM			
Belgian SE	3,801.54	3,855.34	2,479.96
CANADA			
Toronto			
Metals & Minls	1,288.43	2,132.30	1,884
Composite	2,143.50	2,961.60	2,632.2
Montreal			
Portfolio	1,500.47	1,489.38	128.33
DENMARK			
SE	198.5	198.50	220.53
FRANCE			
CAC Gen	379.5	384.20	211.3
Ind. Tendance	146.20	148.40	76.83
WEST GERMANY			
FAZ-Aktien	658.70	651.29	532.00
Commerzbank	1,966.2	1,952.80	1,565.7
HONG KONG			
Hang Seng	2,068.44	2,064.30	1,511.80
ITALY			
Banca Comm.	738.16	746.40	406.12
NETHERLANDS			
ANP-CBS Gen	276.4	274.60	211.3
ANP-CBS Ind	275.3	274.50	188.8
NORWAY			
Oslo SE	370.68	371.24	364.40
SINGAPORE			
Straits Times	804.26	812.97	776.06
SOUTH AFRICA		Prev	Year Ago
JSE Golds	—	1,843.0	1,087.8
JSE Industrials	—	1,381.0	965.2
SPAIN			
Madrid SE	197.91	199.23	82.44
SWEDEN			
J & P	2,437.21	2,438.75	1,373.47
SWITZERLAND			
Swiss Bank Ind	542.4	543.70	467.2
WORLD			
MS Capital Int'l	–	343.7	221.7

COMMODITIES

(London)	Sep 30	Prev
Silver (spot fixing)	380.70p	392.00p
Copper (cash)	£957.0	£964.00
Coffee (Nov)	£2,330	£2,435
Oil (Brent blend)	$13.95	$13.75

GOLD (per ounce)

	Sept 29	Prev
London	$423.25	$427.75
Zürich	$424.5	$428.5
Paris (fixing)	$420.08	$426.45
Luxembourg	$421.45	$430
New York (Dec)	$426.15	$427.1

CURRENCIES

	US DOLLAR		STERLING	
(London)	Sep 30	Previous	Sep 30	Previous
$	–	–	1.4470	1.4335
DM	2.0270	2.0250	2.93¼	2.90¼
Yen	151.35	153.60	223.425	220¼
FFr	6.64¼	6.63	9.61¼	9.50½
SFr	1.6460	1.6415	2.38¼	2.35¼
Guilder	2.2920	2.2890	3.315	2.28¼
Lira	1.401½	1.400½	2.028	2,007½
BFr	42.05	42.0	60.85	60.20
C$	1.3885	1.3880	2.0100	1.9910

INTEREST RATES

	Sept 30	Prev
Euro-currencies (3-month offered rate)		
£	10¹⁵⁄₁₆	10⅞₁₆
SFr	4⅞₁₆	4¼
DM	4⅝	4¹¹⁄₁₆
FFr	8⅛	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	6⅛	6⅜
6-month US$	6⅛	6⅛
US Fed Funds	6⅜*	5¹⁵⁄₁₆
US 3-month CDs	5.75*	5.80
US 3-month T-bills	5.20*	5.25

US BONDS

Treasury

		September 30 Price	Yield	Prev Price	Yield
6⅛	1988	100	6.375	100	6.375
7¼	1993	99²⁴⁄₃₂	7.291	99²⁷⁄₃₂	7.273
7⅜	1996	99¹⁵⁄₃₂	7.447	99¹⁶⁄₃₂	7.446
7¼	2016	95²⁸⁄₃₂	7.607	95¹⁹⁄₃₂	7.634

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index	Sep 30 Day's change	Yield	Day's change
1–30	154.81	−0.37	7.26	+.06
1–10	148.45	−0.17	6.94	+.06
1– 3	139.81	−0.03	6.47	+.05
3– 5	150.81	−0.19	7.16	+.06
15–30	177.73	−1.09	8.35	+.07

Source: Merrill Lynch

Corporate	September 30 Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	91⅛	6.470	91½	6.470
SCBT South Central				
10⅞ Jan 1993	106⅞	9.533	106¼	9.561
Phibro-Sal				
8 April 1996	97⅛	8.445	97	8.464
TRW				
8⅞ March 1996	101⅛	8.571	101	8.591
Arco				
9⅞ March 2016	105	9.371	104½	9.419
General Motors				
8⅛ April 2016	88⅞	9.242	88⅛	9.256
Citicorp				
9⅞ March 2016	96½	9.736	96	9.790

Source: Salomon Brothers
Yield calculated on semi-annual basis

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	95–23	95–26	95–05	94–13
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.74	94.76	94.70	94.72
Certificates of Deposit (IMM) $1m points of 100%				
Dec	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	93.94	93.97	93.89	93.91
20-year Notional Gilt £50,000 32nds of 100%				
Dec	111.22	112.4	91.8	106–19

* *Latest available figures*

LONDON

£'s recovery sparks healthy rally

STERLING'S sharp recovery calmed worries over interest rates in London which staged a healthy rally.

Blue chips closed showing good gains and the FT-SE 100 index added 16.6 to 1,555.8, while the FT Ordinary share index rose 14.4 to 1,227.0.

Stocks in the UK multinationals had a successful session. Glaxo added 15p to 930p and Beecham 7p to 388p after both suffered recently from US selling pressure.

Among more speculative issues, Saatchi & Saatchi began to recover from a selling bout, adding 10p to 580p.

Government bonds put on more than two points by the close, quickly recovering to the day's best levels after brief disappointment when Chancellor Nigel Lawson dismissed rumours that Britain was about to announce entry into the European Monetary System. The FT Government Securities Index was 1.14 higher at 82.89.

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 39–40

HONG KONG

INSTITUTIONAL BUYING from the US and domestic demand for blue chips lifted Hong Kong to its fifth consecutive peak with the Hang Seng index closing 4.14 up at 2,068.44 in active trading.

Utilities registered some of the few losses of the session with Hongkong Telephone down 10 cents at HK$12.30, Hongkong Electric 20 cents lower at HK$10.30 and Hongkong and China Gas 10 cents easier at HK$16.70. However, China Light added 30 cents to HK$18.30.

Among banks East Asia firmed 80 cents to HK$20.10, Hang Seng 50 cents to HK$35.25 and Hongkong and Shanghai 10 cents to HK$7.40.

Elsewhere, Hongkong Land gained 30 cents to HK$7.05, Jardine Matheson and Cheung Kong were unchanged

SINGAPORE

A SECOND DAY of stop-loss selling and profit-taking again took shares lower amid continuing nervousness over corporate and banking problems in Malaysia.

The Straits Times index was down 8.71 points, almost the same size of fall as on Monday, and ended at 804.26. But turnover rose to 14.5m shares traded from 13.6m.

Some short-covering and bargain-hunting towards the end of the session produced a partial recovery but most stocks still ended lower.

CANADA

ADVANCES in mining and oil shares helded Toronto trade marginally higher.

Lac Minerals traded C$⅛ higher at C$25¼, International Corona improved C$⅛ to C$24⅞ and Dome Mines put on C$⅛ to C$8⅞.

Oil stocks made progress with only Texaco Canada resisting with a C$¼ fall to C$27⅞.

Of the industry shares, Canadian Pacific moved up C$⅜ to C$15⅞ after announcing an expected extraordinary profit of C$100m from the sale of its stake in Cominco.

In Montreal, utilities, banks and industrials were largely unchanged.

EUROPE

Brussels hit by row over language

DOMESTIC FACTORS provided the highlights in generally thin European trading still overshadowed by worries about interest and exchange rates. Movements ranged from a market fall in Brussels to technical recoveries in Frankfurt and Amsterdam.

Brussels was dominated by doubts over the IMF meetings in Washington and fears that a regional linguistic row could blossom into a national crisis.

Share prices fell in all sectors, with the main exception of chemical Solvay, up BFr 10 to BFr 7,730 after higher profits.

Blue chip leader Petrofina accelerated Monday's decline, losing BFr 110 to BFr 9,060, and chemicals UCB and Mosane dropped BFr 380 and BFr 30 to BFr 8,020 and BFr 1,070, respectively. Steels and tourism were among other sectors to suffer, with Arbed down BFr 80 BFr 2,100 and Wagons-Lits dropping BFr 200 to BFr 5,550.

Frankfurt partially recouped Monday's losses. The market was clouded by the lack of direction on interest rates and the dollar, but trading was more active because many investment companies reached the end of their business year.

Carmakers closed firmer, with BMW up DM 5 at DM 612 on hopes of higher parent company earnings this year. Daimler rose DM 19 to DM 1,242, while VW added DM 8 to DM 481. An assembly line fire at VW caused several million D-Marks' worth of damage and lost production.

A fall in the engineering industry's incoming orders in August pushed most shares lower in that sector, with MAN off DM 8 to DM 222. Mannesmann, however, added DM 2.9 to DM 166.

Steels were mostly firmer, with Hoesch up DM 2.50 to DM 134.50 and Klöckner edging DM 1 higher to DM 74. A pay rise has been agreed for about 190,000 steelworkers in North Rhine-Westphalia and Bremen.

Consumer electronics firm Schneider Rundfunkwerke announced a partial flotation, with a public offering of 200,000 ordinary shares at a price of DM 540 for each DM 50 nominal share.

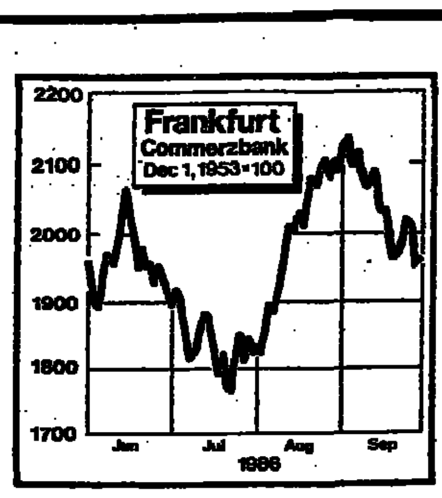
Bonds were mixed at the close of a quiet session. Investors held back in anticipation of a new federal government loan stock due on Thursday. The Bundesbank sold DM 90.4m worth of paper after buying DM 95.7m on Monday.

Amsterdam managed a moderate rally after Monday's sharp fall, largely due to technical factors.

The bourse was also helped by the higher opening in New York.

Multinational Philips added Fl 1.2 to Fl 53.8 and Unilever rose Fl 6 to Fl 474.5.

Among banks Ned Mid scored a Fl 2.50 rise to Fl 213. Elsewhere, KLM, the airline, rose Fl 2.10 to Fl 46.10.



Paris was hit by a bout of late profit-taking which took most sectors lower. Continued uncertainty about currency and interest rates also took its toll.

Banks registered some of the sharpest falls with Bancaire down FFr 46 at FFr 1,104.

Retailers were also lower including Printemps with a FFr 30 fall to FFr 518.

Zurich ended the session mixed and turnover was higher than on Monday.

The banking sector saw bearer shares of Bank Leu down SFr 50 at SFr 3,650, while Union Bank firmed SFr 20 to SFr 5,645 and Swiss Bank SFr 4 to SFr 525.

Milan was dominated by continued selling of Fiat shares which closed L450 lower at L14,800.

Other prices were generally weaker although above their lows for the day.

Montedison lost L70 to L3,470, insurer Generali L600 to L111,700 and Pirelli Spa L20 to L5,000.

Madrid slipped back from the peak reached on Monday while **Stockholm** closed mixed.

AUSTRALIA

INDUSTRIALS slipped in Sydney following sharp overnight falls on Wall Street and London.

Banks and developers lost ground with ANZ down 12 cents at A$5 and National Australia and Westpac easing 4 cents each to A$5.20 and A$4.51 respectively. Land Lease fell 14 cents to A$8.36.

Media stocks caught the downward pressure with Herald and Weekly Times easing 10 cents to A$6.90 and News Corp falling A$1.40 to A$28.30.

The exception was Woolworths, the retailer, which dominated trading with more than 23.5m shares changing hands. Its shares rose 14 cents to A$3.65 following speculation that Chase, which holds about 4.25 per cent of Woolworths issued capital, was the likely buyer.

SOUTH AFRICA

THE LOW bullion price had a mixed effect on gold shares with Vaal Reefs gaining R4 to R352 but Western Deep and Buffelsfontein slipping R2.50 to R180 and R1.50 to R95, respectively.

Industrials closed mixed, reflecting little of the increase in the Associated Chambers of Commerce of South Africa business confidence index for September.

Platinums and most other mining shares declined with Impala dropping R1.25 to R46.25 and diamond shares De Beers falling 15 cents to R31.25.

TOKYO

Institutions aim for quick profits

ISSUES related to land redevelopment on Tokyo Bay were at the centre of attention in Japanese trading. Most other stocks fell on light selling, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average ended below the 18,000 mark, falling 253.45 to 17,852.45. Turnover stayed high at 1.37bn shares, up from Monday's 1.23bn, reflecting active trading by institutional investors aimed at quick profits. Declines outnumbered advances by 590 to 228, with 135 issues unchanged.

Transactions were concentrated on a small segment of the institutional favourites, with the 10 most active stocks accounting for 68.5 per cent of overall trading volume, compared with 64.8 per cent the previous day.

Buying enthusiasm was dampened by the overnight retreat on Wall Street, but many institutions with surplus funds continued to seek stocks which have been rising fast in recent weeks. Some individuals later chose those issues as well, selling unpopular stocks.

The three major land redevelopment issues stayed in the spotlight. Nippon Kokan topped the active list with 225.63m shares traded and added Y4 to Y336. Ishikawajima-Harima Heavy Industries, with 146.65m shares, climbed Y31 to Y380 and Tokyo Gas, with 10.32m shares, Y50 to Y1,200. Tokyo Electric Power also advanced Y150 to Y8,150.

Other major large-capital stocks slumped, with Mitsubishi Heavy Industries, with 72.60m shares, shedding Y16 to Y639, Kawasaki Steel, with 46.78m shares, Y15 to Y256, and Nippon Steel, with 36.96m shares, Y9 to Y208.

Stocks related to information communications, the main recent gainers, came under selling pressure. Toshiba, with 71.54m shares, dropped Y15 to Y828, Hitachi Y50 to Y1,070, NEC Y60 to Y2,380 and Matsushita Electric Industrial Y90 to Y1,750. However, Mitsubishi Electric, with 140.17m shares, gained Y28 to Y598 on investor confidence in its space-linked technology.

The popularity of consumer stocks faded. Construction issues, property stocks and electric railways slipped across a broad front.

Chemicals, financial stocks and retailers fell on small amounts of selling.

Bonds fell on speculative selling triggered by rumours about terms for the issuing of government bonds in October. The yield on the benchmark 6.2 per cent government bond falling due in July 1995 rose from 4.685 to the top point of 4.720 per cent on the Tokyo Stock Exchange.

The yield tended higher still in inter-broker trading, as dealers were discouraged by the fact that no agreement had been reached on exchange and interest rates at finance meetings of the leading industrial countries and the IMF.